

The Challenges & Profitability of e-banking in

Fidelity Bank Nigeria Plc

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Abstract:

This study is done to determine the challenges and Profitability of E-banking in Nigeria banking sector in Fidelity Bank Plc. It was revealed that customers of this bank patronises all available e-banking products even in the face of predominant factors as customer satisfaction and stiffed competitions. However, there are challenges confronting the customers such as inadequate information and insufficient marketing technique for the banks' product. Adequate information and sufficient marketing strategies should be employed to attract more customers. Also more ATM facilities should be placed at strategic locations within the environments to reduce distance and time of accessing the facilities while the e-banking charges should be reduced to lure more customers.

Keyword: *Challenges, Profitability, E-banking, Nigerian Bank.*

Introduction:

In the recent time developments and revolution in ICT have transformed the procedures in the banking sector. Electronic banking (E-banking) has brought a total swap pattern on the bank's performance and on service delivery in the banking sector (Abubakar & Rasmains, 2012). E-

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banking has changed manual and traditional ways of operating business in the banking sector and is being replaced by the highly appealing technology which is based on automation and interconnection of computers and other electronic gadgets such as paper invoice, ledger books, printed materials and business trips have all been replaced with online billings and payments, elaborate website with product notification and real-time teleconferencing across continents and time zones. The e-banking is changing the banking and financial sector in terms of the nature of core products or services and the way these are packaged, suggested, delivered and consumed. E-banking is a powerful and invaluable weapon pivoting development, supporting growth, elevating innovation and improving competitiveness (Gupta 2008; Kamel, 2005). It is pertinent that the evolution of banking technology has been driven in distribution channels as observed by the automated teller machine (ATM), mobile banking, Tele-banking, PC-banking and most recently internet banking (Chang, 2003; Gallup Consulting, 2008).

The word e-banking is another word for new age banking system which is also known as online banking that is an outgrowth of PC banking using internet as the delivery channel by which to conduct banking activities such as paying bills, viewing and checking of savings account balances, transferring funds and financial instruments and certificates of deposits (Mohammed, et al, 2009). E-banking has witnessed explosive growth and transformed traditional practices (Gonzalez, 2008) this has led to a paradigm shift in marketing practices proceeding to great performances in the banking industry. E-banking became essential means to sell the products and services as perceived to be necessary so as to remain profitable in the competitive environment as asserted by Christopher et al., 2006. Although, there is the need to understanding the users' experiences as it is seen to be the huge notion than user satisfaction, appraising the user experience is equally necessary for many technology products and services (Salehi et al, 2008). In Nigeria today, it would be very difficult to come across any bank in the country that is not rendering one form of e-banking services or the other, even in the most inaccessible part of the country which formed the basis of the study to empirically examine the challenges and profitability of e-banking in Nigeria banking sector.

It is on this background that this study is to empirically find the challenges and profitability of e-banking in Nigeria. The application of e-banking products and services operations have turn to be a subject of base essential and solicitude to all banks in Nigeria and also a condition for global and local competitiveness (Ezeoba, 2006; Ikechukwu, 2000). The use of e-banking both to organisations and individuals posses several challenges causing inconveniences at times through disappointment to customers by the ATM faults, network problems e.g. cyber breakdown or unavailability of money which leads to fault, corrupt or unable to dispense

money while the customers have formed a long queue for a long time. The issue of vulnerability if one loses his or her ATM card or not. Amongst other is money laundering which is an age-long criminal activity has been greatly facilitated by IT due to anonymity it affords. Security threat is either from inside or outside the system. However, electronic revolution has begun in Nigeria; the widespread of IT is seen to be several years away. Electricity power shortage or incessant power supply disrupting operation is the greatest problem of all. It is important to know how challenging banking internet banking has come to be and how banking sector applies different strategies to cope with the challenging environment. Also, to find out if IT has any impact on the growth, development and yield profits to the bank.

The origin e-banking in Nigeria was a fall out of the former Head of State, General Babangida initiation of Structural Adjustment Programme (SAP) in 1986 which led to an end of the “Arm Chair Banking” which the 1st generation banks were offering then, changed not only the structure but also the content of banking business. The number of banks grew from 40 in 1985 to 125 in 1991 because SAP made the licensing of more banks easy. This however, led to more threat to the existing ones; of course, more aggressive marketing techniques were adopted by the banks. The intense competition metamorphosed to the adoption of electronic banking seen as a necessarily to survive the competitive environment, whereas e-banking came to being in British 60s in the late. The 1st Nigerian bank that started the long and tortuous journey in November 1990 was the then Societe Generale Bank that launched its Automated Teller Machine (ATM), (CBN, 2003).

THE EMPIRICAL REVIEW

Banking business is getting tougher by day to operate as it grows in spite of the increasing competition worldwide. It is obvious that proffering solutions to how best outreach of customers, improve customers’ loyalty, gain competitive advantage and give great services thereby minimising administrative costs and maximising profits are vital to banking operations. Karjaluoto et al. (2002) opine that IT is the major electronic source in this sector, meaning that e-banking as an online banking involves the provision of banking services in the case of accessing accounts, transferring funds between accounts and offering online financial services. Wang et al. (2003) assert that e-banking was under utilised as business organisations used it only to market their products and services in the 1990s. Customers orientations and usage of financial distribution channels in Australian financial sector was that more recently, most financial institutions are confronted with competitive pressure after the introduction of

deregulation in 1983 but after thought, their strategies took full advantage of IT, Thornton and White (2001). The difficulty to increase and preserve banking market share affected so many banks to commit more capital for better use of internet, again the uprising of e-banking informed many other banks to rethink their IT techniques in competitive markets. They also suggested that any bank that neglect to respond to the urgent of e-banking is may probably lose customers since the cost of offering e-banking services is far cheaper to operate compared to retaining branch banking, Tan and Teo (2002).

Jasimuddin (2004) agreed with Tan and Teo as he confirmed that the role of e-banking in Saudi Arabia have impinged on the advantage of IT to establish Websites but few offered e-banking service and he suggested that Saudi Arabia banking sector can only succeed in the global economy only if they integrate IT into their banking strategies. An empirical investigation conducted by Chiemeke et al. (2006) indicated that e-banking have been adopted in Nigeria but the major inhibiting factors to internet banking as adopted in Nigeria are security, inadequate operational facilities including telecommunications facilities and electricity supply and he made recommendations on how Nigerian banks can narrow the digital divide.

Also Agboola (2006) inquired or scrutinised e-payment system and tele-banking services in Nigeria and found that there have been a very modest move away from cash payments as payments are automated while there is declination of absolute volumes of cash transactions. It then means that tele-banking can broaden the customer relationship, retain customers' loyalty and allow banks to have large market share even in the face of epileptic supply of power, fear of fraudulent practices and lack of facilities necessary for their operation were taken care of.

A research concluded on Turkish banks regarding e-banking had a profitable impact. Internet changed the dimensions of competition in the retail banking sector and it also provide opportunities for the emerging countries to build up financial intermediation infrastructures but noted that investment on e-banking is a gradual process, (Onay et al. 2008; Sumra et.al, 2011). Jordanian banks are not left out as majority of the banks provide services on internet through their websites and finding reveal that attention is giving more to achieve e-banking as satisfying and fulfilling customers' needs but there should be a well-articulated strategy to achieve successes and profits in the long-run, Siam (2006). Chi-square was used to determine the impact of e-banking in Iran which revealed the view points of customers i.e. e-banking cause higher advantages to Iranians. This means that Iran banks provide services the

customers are deriving satisfaction with particular reference to the use of e-banking, Mahdi and Mehrdad (2010).

PREVIOUS AUTHORS' PERSPECTIVES

The banking sector is now in the era of menu-driven ultra-robust specialised software programmes called banking applications which can perform virtually all banking functions deducing from information collection, storage and transfer and processing (Ovia, 2006). Daniel (1999) opine that e-banking is the provision of e-banking services to customers through internet technology while Karjaluo et al. (2002) found that internet technology is the main electronic distribution channel in the banking sector. However, it is obvious that e-banking gained special attention in academic studies in the past 5 years as portrayed by banking journals, Karjaluo et al. (2002). There are two fundamental reasons underlying e-banking development and diffusion which are that banks get notable cost savings by offering e-banking services which is the cheapest delivery channel once established, (Sathye, 1999; Robinson, 2000). The second reason is that banks branch networks have been reduced as well as downsize the number of service staff leading to self-service channels which customers believe is time consuming, Mattilia et al. (2003). But Nyangosi (2006) asserts that time, cost savings and freedom found the main reasons underlying e-banking acceptance as indicated by several studies that online bankers are the most profitable and wealthiest segment of banks.

The challenges of regulatory on e-banking in Nigeria are that automation of banking operations is really posing challenges to the regulatory Supervisory Authorities in Nigeria which are the major issues concerned are the money laundering, fraud, electrically generated evidence, consumer protection, job cut, possibility of core business being swallowed and systems operational risks. But there are lots of benefits for the banks, economy and the customers to derive from. In a nutshell, e-banking serves so many benefit not to the banks itself but also to the society at large. However, the essential ingredients in delivering quality electronic banking services as assert by Williams (1992); Tarvar (1987); Walter (1974) are in the following which are that an organisation should bid to deliver exceptional new products such as strategy, leadership, personnel, design, infrastructure and measurement.

Summary:

ICT being a worldwide acclaimed means of operating process offering a enormous range of benefits to the business as this embraces huge capital. The applications allow for speedy communication inside the organisation which will lead to the management to function more

efficiently. ICT is a great source of competitive opportunities for an organisation as it acts a vital importance in e-banking because it minimises cost through internal process and product, and it create a swifter communication with the customers that tends towards a wonderful way of displaying their products through online availability. Below are the responses to the questions related to the hypotheses which were subjected to testing using Chi-square that, e-banking products and services have impact on banking growth, development and profitability and also pin-point the fact that e-banking products and services have significantly improve customers' satisfaction.

Conclusions:

There are certain benefits that the customers derive from e-banking products and services which include easy access to cash, time saving and convenient use of the products. The fact that the customers prefer the ATM amongst the e-banking products and service is very obvious from the survey because of its effectiveness and user friendliness. Also customers' satisfaction and banks competitions are predominant factor for increasing competition among banks to intensify increasing and retaining customers base lead the banks to continue to adopt e-banking technologies even when this e-banking technology is associated with some challenges such as the network failure from the internet connection and other vices.

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APPENDIX

TEST OF HYPOTHESES: From the responses of questions in the questionnaire administered to the respondents, some the questions were subjected to test of hypotheses as seen below:

HYPOTHESIS ONE

H₀: Information technology does not impact on banking growth, development and profitability

H₁: Information technology has impact on banking growth, development and profitability

TABLES	Variable	SA	A	I	D	SD
4.3.2	Information technology impacts on Banking growth, Development and profitability in Nigeria	12	93	9	29	-
4.3.12	The use of electronic banking system has helped in development of the banking sector rubbing off on the economy	24	87	14	28	-
4.3.14	There is a significant relationship between electronic banking and the economy	38	87	9	9	-
4.3.17	Electronic banking has a positive impact on the user and the economy at large	34	63	5	41	-

	Frequency Table 4.3.2	Frequency Table 4.3.12	Frequency Table 4.3.14	Frequency Table 4.3.17	Total
Strongly agree	12	4	38	34	108
Agree	93	87	87	63	330
Indifference	9	14	9	5	37
Disagree	29	18	9	41	97
Total	143	143	143	143	572

The expected frequency (E) will be $E = \frac{\text{row total} \times \text{column total}}{\text{grand total}}$

Response	Observed O_1	Expected E_1	$O_1 - E_1$	$(O_1 - E_1)^2$	$\frac{(O_1 - E_1)^2}{E_1}$
(1,1)	12	27	-15	225	8.333333333
(1,2)	24	27	-3	9	0.333333333
(1,3)	38	27	11	121	4.481481481
(1,4)	34	27	7	49	1.814814815
(2,1)	93	82.5	10.5	110.25	1.336363636
(2,2)	87	82.5	4.5	20.25	0.245454545
(2,3)	87	82.5	4.5	20.25	0.245454545
(2,4)	63	82.5	-19.5	380.25	4.609090909
(3,1)	9	9.25	-0.25	0.0625	0.006756757
(3,2)	14	9.25	4.75	22.5625	2.439189189
(3,3)	9	9.25	-0.25	0.0625	0.006756757
(3,4)	5	9.25	-4.25	18.0625	1.952702703
(4,1)	29	24.25	4.75	22.5625	0.930412371
(4,2)	18	24.25	-6.25	39.0625	1.610824742
(4,3)	9	24.25	-15.25	232.5625	9.590206186
(4,4)	41	24.25	16.75	280.5625	11.56958763
Total	572	572			49.50576293

$$\chi^2 = \sum \frac{(O - E)^2}{E} = 49.50576293$$

Degree of freedom = $(R - 1)(C - 1)$, 0.05. Where R is the Row and C is the column

$$= (4 - 1)(4 - 1), 0.05$$

$$9, 0.05 = 16.9190$$

Calculated value = 49.5 Table value = 16.9

The calculated value is more than the value with the degree of freedom of 9 at a level of significance of 0.05.

Therefore, the computed value X^2 is more than the tabulated value of X^2 ; hence null hypothesis (H_0) is rejected while alternative hypothesis (H_1) is accepted that says that information technology has impact on banking growth, development and profitability.

HYPOTHESIS TWO

H₀: Electronic banking products and services have not significantly improved customer satisfaction

H₁: Electronic banking products and services have significantly improved customer satisfaction

TABLES		SA	A	I	D	SD
4.3.	Fidelity Bank's Electronic Banking Improves its Bank's Customer Relationship	21	113	5	4	-
4.3.5	The Introduction of Electronic Banking Has Improved Customer Satisfaction	27	81	14	21	-
4.3.8	Introduction of Electronic Banking Has Eased Banking Transactions	24	87	9	23	-
4.3.18	Fidelity Bank's Customers Are Satisfied with the Electronic Banking your Bank Renders	26	90	12	15	-

	Frequency Table 4.3.1	Frequency Table 4.3.5	Frequency Table 4.3.8	Frequency Table 4.3.18	Total
Strongly agree	21	27	24	26	98
Agree	113	81	87	90	371
Indifference	5	14	9	12	40
Disagree	4	21	23	15	63
Total	143	143	143	143	572

The expected frequency (E) will be $E = \frac{\text{row total} \times \text{column total}}{\text{grand total}}$

Response	Observed O_1	Expected E_1	$O_1 - E_1$	$(O_1 - E_1)^2$	$\frac{(O_1 - E_1)^2}{E_1}$
(1,1)	21	24.5	-3.5	12.25	0.5
(2,1)	113	92.75	20.25	410.0625	4.42115903
(3,1)	5	10	-5	25	2.5
(4,1)	4	15.75	-11.75	138.0625	8.765873016
(1,2)	27	24.5	2.5	6.25	0.255102041
(2,2)	81	92.75	-11.75	138.0625	1.488544474
(3,2)	14	10	4	16	1.6
(4,2)	21	15.75	5.25	27.5625	1.75
(1,3)	24	24.5	-0.5	0.25	0.010204082
(2,3)	87	92.75	-5.75	33.0625	0.356469003
(3,3)	9	10	-1	1	0.1
(4,3)	23	15.75	7.25	52.5625	3.337301587
(1,4)	26	24.5	1.5	2.25	0.091836735
(2,4)	90	92.75	-2.75	7.5625	0.081536388
(3,4)	12	10	2	4	0.4
(4,4)	15	15.75	-0.75	0.5625	0.035714286
Total	572	572			25.69374064

$$\chi^2 = \sum \frac{(O - E)^2}{E} = 25.69374064$$

Degree of freedom = $(R - 1)(C - 1)$, 0.05. Where R is the Row and C is the Column

$$= (4 - 1)(4 - 1), 0.05$$

$$9, 0.05 = 16.9190$$

Calculated value = 25.7

Table value = 16.9

Calculated value is more than the table value with the degree of freedom of 9 at a level of significance of 0.05.

The computed value X^2 is more than the tabulated value of X^2 ; hence null hypothesis (H_0) is rejected while alternative hypothesis (H_1) is accepted which says that Electronic banking (e-banking) products and services have significantly improved customer satisfaction.