# THE IMPACT OF E-BANKING ON THE PERFORMANCE OF AFRI-BANK YOLA BRANCH.

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Submitted

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## Approval page

## DEDICATION

This project is dedicated to my mother Mrs Ladi Jauni, and to all struggling women in the society.

## DECLARATION

I hereby declare that this study has been written by me and it is a record of my research work. It has not been previously presented for any higher degree. All quotations are indicated and the sources of information are accordingly acknowledged by references.

Signature----------

Name----------

Date----------

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## ABSTRACT

*This work shows the impact of e-banking on the performance of Afri bank, Yola branch. Its objective is to show the nature of e-Banking on the performance of Afri bank Yola, Key drivers used and how it will contribute to the output of Afri bank Yola branch. Research questions were asked based on the objectives. Its significance would contribute to the banking sector as whole and other intended researchers. Chapter two covers different literature review of different authors which includes benefits of electronic banking to consumers, general economy and banking industries, the concept of e-Banking, etc. chapter three covers the research design, sources of data, instrument for data collection and analysis, population of the study, sample size. Chapter four covers data analysis and presentation of findings while chapter five covers summary, conclusion and recommendations. All quotations are covered with relevant references.*

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# CHAPTER ONE

# INTRODUCTION

## 1.0. BACKGROUND OF THE STUDY

E-banking has been continuously growing as a new industry during the last decade, and today is widely understood as it involves customer acceptance and satisfaction, privacy concerns, profitability, operational risk and competition from non-banking institutions. (Boss et al. 2000). The evolution of electronic banking (e-banking) started with the use of automated teller machines (ATMs) and has included telephone banking, direct bill payment, electronic funds transfer and online banking. According to some, the future direction of e-banking is the acceptance of mobile telephone (WAP-enabled) banking and interactive –TV banking. However, it has been forecast by many that online banking will continue to be the most popular method for future electronic financial transactions.

To use the internet financial service, customers not only need to understand the technology, they also need to understand financial services. The complex nature of financial services often renders the task of information search easier than information evaluation.(Black et al, 2002). The combine effect of consumers understanding of both the internet channel and financial services is difficult to foresee, and therefore, there is he need for more research in consumer use of complex services in the internet. (Costanzo, 2000)

In many ways, e-banking is not unlike traditional payment, inquiry, and information processing system; differing only in that it utilises a different delivery channel. Any decision to adopt e-banking is normally influenced by a

number of factors, these include customer service enhancement and competitive cost, all of which motivate banks to assess their electronic commerce strategies (Barnes and Corbitt, 2003).

Today, banking executives and managers who still view e-banking as a passing craze risk being left behind, e-banking is essentially about banks using age methods and tools to expand into new banking markets and grow. Creating a corporate online presence for your bank should be more than just building a web site; it should be about building a web business for your bank. To do this effectively, the people in charge, i.e. the CEOs, not just the IT directors and managers, must have a deep knowledge of what e-banking culture demands. Banks can only apply IT effectively if management appreciation exists.

E-banking can improve a banks efficiency and competitiveness, so that existing and potential customers can benefit from a greater degree of convenience in affecting transactions, this increased level of convenience offered by the bank when combined with new services can expand the banks target customers beyond those in traditional markets. Consequently, financial institutions are therefore becoming more aggressive in adopting electronic banking capabilities that include sophisticated marketing systems, remote-banking capabilities and stored value programs. Internationally, familiar examples include telephone banking, automated teller networks and automated clearing house systems. (Van Hoeck, 2001).

## 1.1. STATEMENT OF THE PROBLEM

E-banking has been continuously growing as a new industry since the last decade, but the researcher observed that Afri-bank Yola branch is faced with problems of which includes slow pace of development in IT, lack of adequate infrastructure, low internet penetration, image problem was another issue in adequate security, As well as policy on IT development, due to their inability to adopt e-banking operations.

Our problem in this study is to see how e-banking will impact positively to the development of Afri-bank Yola as well the media of transmission (Ghosh, 1997).

## 1.2. OBJECTIVES OF THE PROBLEM

The objectives of this work include:

1. To show the nature of e-banking on the Performance of Afri Bank Yola,
2. To determine how e-banking will contribute to the out put of Afri-bank Yola branch,
3. To determine the key drivers of excellence used in Afri bank Yola.

## 1.3. RESEARCH QUESTIONS

1. What is the nature of e-banking in AfriBank, Yola Branch?
2. To what extent can e-banking contribute to the output of AfriBank Yola branch?
3. What key drivers of excellence are used in AfriBank Yola Branch?

## 1.4. SIGNIFICANCE OF THE STUDY

This study will contribute to the development of e-Banking in Afri Bank Yola Branch. It will contribute to the banking sector as a whole and is intended to stimulate other researchers to go beyond what this study couldn't explore.

## 1.5. THE SCOPE OF THE STUDY

This study is limited to Afri Bank Yola Branch.

## 1.6. LIMITATION OF THE STUDY

The limitations of the study include inadequate time, fear of insecurity of information and financial constraints.

## 1.7. OPERATIONAL DEFINITION OF TERMS

- E-banking: - e-banking is about using the infrastructure of the digital age to create opportunities-both local and global.
- Wireless Application Protocol (WAP): - is a term used for performing balance checks, account transactions, payment etc via a mobile device such as mobile phone.
- Electronic Funds Transfer (EFT): - refers to the computer-based systems used to perform financial transactions electronically.
- Output: - results from the outcomes as a result of the use of e-banking as inputs.

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# CHAPTER TWO

# REVIEW OF RELATED LITERATURE

## 2.0 INTRODUCTION

This chapter entitles reviews o some selected literature of different authors. It discusses what electronic banking and its benefits to the customers, banking industries and general economy at large. The concept of e-banking, information technology deployed by banks, the internet and its growths in banking was also discussed. Key drivers of excellence, the extent of e-banking operations in Nigeria, the emerges of ATM as the most popular e-banking services and the banking that was rated first in e-banking was discuss. The summary of the whole chapter was also given.

## 2.1 ELECTRONIC BANKING

Banking has never been more important to our society than it is today. The advance of communication and computer technology and the availability of the internet have made it possible that one can do most banking transactions from a remote location even without stepping into a physical financial structure – *i.e.*, the emerging of e-banking (Boyes and Stone, 2003). E-banking has been viewed as a revolutionary progress in the banking industry. As predicted by Microsoft's Bill Gates – *Banks are dinosaurs and will be replaced by microcomputers*. Foreseeing the threat and the challenge from the Mr. Gates' comments, as an industry, the banks are formulating strategic plans to fight back in winning their customers (Healy, 1999). Their first target is the new technology – including all new telecommunication and

computer technology. The industry believes that by adopting new technology, the banks will be able to improve customer service (*New issues and challenges facing e-banking in rural areas* 339) level and tie their customers closer to the bank. American banks had launched their e-banking services among the few first in the international banking field starting as early as 1992 (American Banker, 2000). Through the competition, banks quickly realised that there are a momentous number of customers like *e-banking* – to do banking electronically. As a result, many banks, based on their existing 24-hour telephone banking systems, have developed and implemented several important earlier e-banking applications so that their customers are able to pay bills, transfer money among accounts, check account history, download statement information, and computerise their cheque books online all at easy and around the clock (Graven, 2000). Facing extremely intensive competition from non-banking sector, the banking industry has adopted a more aggressive approach in the development of new e-banking services. For instance, some large banks have started to install advanced software to process all consumer loan applications online, a new paperless e-loan process. And interestingly, the signatures will be created from images collected by special electronic signatures (e-signature), which has been available and legal since 2000. In UK, banks now view e-banking from new distribution channel before to new business models in which e-banking service is considered together with banks' strategic planning, business process, and product/service package offering (Li, 2002; Brown *et al*., 2004). Empirical studies from the consumer side of e-banking have been reported recently, such as one focusing on the quality of customers on the utilisation of current e-banking services (Hitt and

Frei, 2002), and another recent one examining the customer attitudes towards e-banking and concluding that online banking marketing will gain importance at a faster rate in the coming years (Kaynak and Harcar, 2005). Other new e-banking services have targeted mortgage lending, consumer lending, and small business loan products. As an integral part of the e-business, the e-banking industry has been growing at a rapid pace, to help banks cut costs, increase revenue, and become more convenient for customers (Halperin, 2001). A recent research even investigated the impact of e-banking on building inter-firm relationships within 200 Australian banks and showed that an effective E-banking may enhance inter-firm relationships through improved traditional communications (Rao, 2004). Due to different motivational factors, however, banks, larger and small or located urban or suburban, have placed different priorities and investments in their e-banking efforts. While larger and national banks are currently leading the way in the e-banking forefront, most small and local community banks are reported way behind in this effort – due to the fact that those smaller community banks were in general lack in both financial and technological resources (O'Connell, 2000).

It has been suggested that for smaller community banks, the addition of e-banking services can increase their capacity to offer more banking products and reduce their dependence on core deposits. Those e-banking options also generate a higher proportion of their income from non-traditional activities comparing to banks without e-banking operations (Stamoulis, 2000). In addition, the e-banking option will in fact as an effective way to reduce the costs of operations for the financial institutions. But in practice, larger banks

located in a centralised urban area tend to have the greatest incentive to adopt e-banking services, while in comparison, smaller community banks tend to have a high initial technological cost in developing e-banking services (Treadwell, 2001). (Flass, 2000). Looking forward, most small banks are motivated to develop e-banking services for potential future cost savings and gaining a competitive edge in the competition (Timmons, 2000). Under the pressure of competition, many banks have been expanding their range of e-banking services, such as online cash management services, online insurance offerings, and e-billing service. There is also a gap in perceived benefits from e-banking services between larger banks and smaller banks. Many small banks do not have a plan to offer e-banking services because they still have questions about if the benefit from e-banking services would outweigh the added expenses associated with offering e-banking services. Currently, it is believed that a combination of a low percentage of customers using e-banking services on a consistent basis and a relatively low start-up cost in developing e-banking services – will make the impact of e-banking (positive or negative) quite limited on the bottom line of most financial institutions (Marenzi *et al*., 2001).

On another hand, e-banking services could be highly demanded and desirable to accommodate the sudden, rapid growth that has occurred in other information-intensive industries such as travel and securities brokerage. Some new e-banking services have gained a growing popularity such as e-payments and statement aggregation involving e-mail statements, e-mail alerts, online loan decisions, fraud protection, and inter-bank funds transfer capabilities (Stoneman, 2001). The e-banking sector has been growing to reach a

competitive level, and has become a serious competitor to traditional banks. With the advantages of quick and easy application process, less technical glitches, more funding options, and low minimum opening deposit requirement, traditional banks have to compete more relying on their conventional face-to-face services, first-name calling friendly environment, and trust and secure feeling of transacting business with a person in a financial institution (Hirst, 2000). There are several important decisions a bank must make in the development of e-banking services. Top of its priority is to address the bank's privacy policy and procedures – which will be scrutinised by the related governmental regulatory bodies. Second on the priority list is about e-banking disclosure policies to fully define the bank's responsibilities and liabilities and also those of its customers regarding the e-banking service. Next decision is related to the design of the package of e-banking services to be offered to its customers. Those e-banking services could be ranging from a standard package, or a more complex service offerings (including bond purchases, wire transfers, and e-payments), and even a whole package (including tax payments, cash orders, bill payment, direct payment, new account enrolments, and commercial cash management). Finally, the development of e-banking service has encouraged the adoption of a decentralised approach to give banks more needed flexibility to distribute online access to a much larger number of employees and potential customers. The decentralisation approach is motivated by the fact that a decentralised system could respond to customers' e-requests in a more timely fashion. In fact, the most criticised aspect of the current e-banking service is the slow response to customers' e-requests (Sathye, 1999; Szymanski and Hise, 2000;

Beckett, 2000). Customers do not like to be ignored. Under today's highly competitive market, banks must respond to customers' requests in their e-banking services more promptly and forcefully (Hewson and Coles, 2001; June and Cai, 2001; Black *et al*., 2001; Karjaluoto *et al*., 2002).

While e-banking has been a fast-growing industry among all types of e-business, it has argued that somehow its positive impact was overestimated in some claims and its limit was underestimated more often (Wolfe, 2004). With the statistics of about 80% of all banking transactions are currently still conducted at bank branches, while only 13% are performed through the internet and another 12% via the phone. But the same study predicts that the e-banking services will be very likely to dominate consumer choice in the near future (Wolfe, 2004). Risk in the banking industry has always existed, but providing e-banking services actually has increased or modified some traditional risks associated with banking activities, in particular strategic, operational, legal and reputation risks, thereby influencing the overall risk profile of banking (Duran, 2001). As a result, the Basel Committee established the Basel Guidelines consisting out of 14 principles for banks to manage the risk of e-banking (Rehm, 2003). It has been recognised that to make e-banking a success, it must be not through it being a resource of income, but rather for its money saving ability and a port of interaction with customers (Wade, 2003). One of the essential ingredients for a successful e-banking operation is therefore simplicity and user-friendliness in the financial planning and management process (Hamisah, 2003). Many new e-banking initiatives have aimed to become more customer focused while improving e-banking service quality (Knights and McCabe, 1997). In this regard, most

smaller and rural community banks do not anticipate a market leading strategy, but rather an inward looking and focusing on supply side strategy (De Moubray, 1991; Shemwell and Yavas, 1998; Durkin and Bennet, 1999).

The term electronic banking or e-banking covers both computer and telephone banking. Using computer banking one can either dials directly into its bank computer or gains access to a banks computer over the internet. Using telephone banking one can control its bank accounts by giving the bank instructions over a telephone. Both computer and telephone banking involves the use of passwords which give access to ones accounts, (Ezeoha 2008)

The ability of Nigerian banks to satisfy and retain their consumers in the present post-constitution era will no doubt depend largely on the development of their information technology (IT) infrastructure. In the bid to catch up with global developments and improve the quality at their service delivery, Nigerian banks have invested much on technology, and have widely adopted electronic and telecommunication networks for delivering a wide range at value –added products and services. They have, in the last few years, transferred from manual to automated systems. The numerous advances in internet technology have made considerable impact in business environs and have in particular brought about a shift in banking operations. This has necessities the adoption of internet banking by banks.

With the application of internet banking, banks are able to work effectively and make profits. The chief driving forces of internet banking among customers include better access to the services, better prices and higher

privacy. Through internet banking, customers can transact banking operations at the comfort of their homes and offices anywhere, anywhere. Ovia (2003) posited that the hype of e-banking, e-commerce and e-everything is gradually being embraced by Nigerian financial institutions who are poised to be in the vanguard of narrowing the digital divide. In its survey on the extent of e-banking adoption by Nigerian banks, the Central Bank of Nigeria (CBN), in September 2002, found out that of the 89 licensed banks in the country, only 17 were offering Internet Banking, 24 were officering basic telephone banking, 7 had ATM (Automated Teller Machines) services while 13 of the banks were offering other forms of e-banking. This implies that as of then, 19.1 percent of banks were offering Internet Banking, signifying that Internet banking was yet to take canter stage despite its widely acclaimed benefits against the traditional branch banking practice (Ezeoha, 2005).

Part of the reasons identified by Ezeoha (2005) why Internet banking was having a moderate economic impact in the country includes a lack of adequate operational infrastructure like proper telecommunications and power. The level of participation on the web varies among banks. Many banks do not go beyond putting up a sign (company logo and contact telephone number) on the web. Some banks go a little further by offering information about them and their products (annual) report description of their products, loan products and card products to allow customers access to information in a single place instead of scattering them in many records and documents. This has been described as shop window. Only very few banks have gone beyond

the shop window level to include a range of extra elements. Some offer general financial advice with a level of interactivity.

Payment through the internet will continue to expand in the next because it is very cheap and fast, some only cost the electricity that they use, Lynda (1999) wrote that the transaction costs of serving customers could be reduced sometimes dramatically by conducting transactions over the internet. Laudon & Laudon (2001) observed that internet is reshaping the way information systems are used in business and daily life. By eliminating many technical, geographic and cost barriers obstructing the global flow of information, the internet is accelerating the information revolution, inspiring new uses of information systems and new business models.

One major attraction of internet and other tele-banking devices is that they have facilitated Electronic Home and Office Banking (EHOB). Lynda (1999) defines EHOB as a subset of the business to consumer segment of electronic commerce. This device enables customers to carry out transactions with their banks through connections between the customers at s terminals in their homes and/or offices and the banks computer system through VSAT (Very Small Aperture Terminal) VAST is a satellite communications system that serves home and business users. Customers with such terminals are able to contact the bank for any form of information required. Information on bank balances, deposits into and withdrawals from accounts, etc. may be gotten through this medium. EHOB thus allows customers to keep a very firm grip on their financial transactions. With EHOB, customers can do their banking

not only when but also from the convenience, comfort, privacy and security of their homes.

## 2.2 BENEFITS OF ELECTRONIC BANKING

In recent time e-banking has spread rapidly all over the globe. All banks are making greater use of e-banking facilities to provide better service and to excel in competition. The spread of e-banking has also greatly benefited the ordinary customer in general and corporate world in particular. The following points summarise benefits of e-banking.

### 2.2.1 Benefits to the customers:

General consumers have been significantly affected in a positive manner by e-banking. Many of the ordinary tasks have now been fully automated resulting in greater ease and comfort (Lynder 1999).

- Customers account is extremely accessible with an online account.
- Customers can withdraw can at any time through ATMs that are now widely available throughout the country.
- Beside withdrawing cash, customers can also have mini-bank statements ,balance enquiry at this ATMs
- Through internet banking can operate his account while sitting in his office or home. There is no need to go to the banks in person for such matters.
- E-banking has also greatly helped in payment of utility bills. Now there is no need to stand in queue outside banks for this purpose.

- All services that are usually available from the local banks can be found on a single web site.
- The growth of credit card usage also owes greatly to e-banking. Now a customer can shop world wide without any need for carrying paper money with him.
- Banks are available 24hrs a day, seven days a week and they are only a mouse click away.

### 2.2.2 Benefits to the banking industries

Banking industries has also received numerous benefits due to growth of e-banking infrastructure. Those banks that would offer such services would be perceived as leaders in technology implementation. Therefore, they would enjoy a better brand image. They are highlighted below (Laudon and Laudon 2001):

- The growth of e-banking has greatly help the banks in controlling there over head and operating cost.
- Many repetitive and tedious tasks have now been fully automated resulting in greater efficiency, better time usage and enhance control.
- The rise of e-banking has made banks more competitive. It has also lead to expansion of the banking industries, opening of new avenues for banking operations.
- E-banking has greatly helped the banking industries to reduce paper work thus, helping them to move the paper less environment.

- E-banking has also help banks in proper documentation of their records and transactions.
- The reach and delivery capabilities of computer network such as the internet are far better than any branch network.
- The other benefits are possible to measure in monetary terms. The main goal of every company is to maximize profits for its owners and banks are not any exception. Automated e-banking services offer a perfect opportunity for maximizing profits.

### 2.2.3 Benefits to the general economy:

E-banking as already stated has greatly service both the general public and the banking industries. This has resulted in creation of a better enable environment that supports growth, productivity and prosperity. Beside many tangible benefits in form of reduction if cost, reduce delivery time, increase efficiency, reduce wastage, e-banking electronically controlled and thoroughly monitor environment discourage many illegal and illegitimate practice associated with banking industries like money laundering, fraud and embezzlements. Further e-banking has help banks in better monitoring of their customer base. This is a useful tool in the hands of the banks to device suitable commercial packages that are in conformity with customer needs. As e-banking provide opportunity to banking sector to enlarge their customers base, a consequence to increase the volume of credit creation which results in better economic condition, besides all this e-banking has also helped in documentation of the economic activity of the masses (Ovia 2003).

## 2.3 THE CONCEPT OF E-BANKING

Banking has come along way from the time of ledger cards and other manual filing systems. Most banks today have e-systems to handle their voluminous tasks of information retrieval, storage and processing. Irrespective of whether they are automated or not, banks by their nature are continually involved in all forms of information management on a continuous basis.

The computer is of course an established tool for achieving a competitive edge and optimal resource allocation. The most obvious banking application of computers is customer service. Computerized banks respond immediately to request from customers for statement of accounts, balance activity enquiries. With signature and image verification systems, the time taken to offer typical cashier services like receiving and paying out of cash, is minimized.

E-banking is about using the infrastructure of the digital age to create opportunities-both local and global. E-banking enables the dramatic lowering of transaction costs, and the creation of new types of banking opportunities that address the barriers of time and distance. Banking opportunities are local, global and immediate in e-banking.

## 2.4 INFORMATION TECHNOLOGY (IT) DEPLOYED BY BANKS

It investment by banks include IT infrastructure such as hardware, software, networking (Local, Wide Area Internet). For e-banking to be effective these must be well managed. Banking software can be described as the heart and soul of banks IT's infrastructure. But having good banking

software is of little value if your hardware is inadequate to meet your needs. Likewise in today's e-banking, networking cannot be ignored. Banking today is much more than routine storage and retrieval of information. Computers give banks the ability to quickly respond to market trends, changes in the business environment or new directives from regulatory bodies such as the CBN and ministry of finance. In a highly competitive banking industry speed is a clear-cut advantage.(Ige, O, 1995).

## 2.5 THE INTERNET

Most of the applications mentioned involved the use of the internet. This is to be expected: the internet is the infrastructure for the current age. But e-banking is more than just internet banking. In the still-evolving e-climate, in the economy, it involves using the net to exploit new opportunities by transforming products and markets, and business processes.

E-banking also means developing new relationships with customers, regulatory authorities, suppliers, and banking partners with digital age tools. For example it requires an understanding that customer/bank relationships will be more personalized, resulting in novel modes of transaction processing and service delivery. To be a true e-bank, each bank must identify its own unique targets, focus and style (Allen & Hamilton 1999).

### 2.5.1 GROWTH IN INTERNET BANKING

Numerous factors – including competitive cost, customer service, and demographic considerations – are motivating banks to evaluate their technology and assess their electronic commerce and Internet banking

strategies. Many researchers expect rapid growth in customers using online banking products and services. The challenge for national banks is to make sure the savings from Internet banking technology more than offset the cost and risks associated with conducting business in cyberspace.

Marketing strategies will vary as national banks seek to expand their markets and employ lower cost delivery channels. Examiners will need to understand the strategies used and technologies employed on a bank-by bank basis to assess the risk. Evaluating a bank's data on the use of their Web sites, may help examiners determine the bank's strategic objectives, how well the bank is meeting its Internet banking plan, and whether the business is expected to be profitable.

Some of the market factors that may drive a bank's strategy include the following:

**Competition-** Studies showed that competitive pressure is the chief driving force behind increasing use of Internet banking technology, ranking ahead of cost reduction and revenue enhancement, in second and third place respectively. Banks see Internet banking as a way to keep existing customers and attract new ones to the bank.

**Cost Efficiency-** National banks can deliver banking services on the Internet at transaction cost far lower than traditional brick-mortar-branches. The actual costs to execute a transaction will vary depending on the delivery channel used. For example, according to Booz, Allen & Hamilton, as of mid 1999, the cost to deliver manual transactions at a branch was typically more than a

dollar, ATM and call centre transactions cost about 25 cents, and Internet transactions cost a penny. These costs are expected to continue to decline.

National banks have significant reasons to develop the technologies that will help them deliver banking products and services by the most cost-effective channels. Many bankers believed that shifting only a small portion of the estimated 19-billion payments mailed annually in the U. S. to electronic delivery channels could save banks and other business substantial sums of money. However, national banks should use care in making product decisions. Management should include in their decision making the development and ongoing costs associated with a new product or service, including the technology, marketing, maintenance, and customer support functions. This will help management exercise due diligence, make more informed decisions, and measure the success of their business venture.

**Geographical Reach-** Internet banking allows expanded customer contact through increased geographical reach and lower cost delivery channels. In fact some banks are doing business exclusively via the Internet – they do not have traditional banking offices and only reach their customers online. Other financial institutions are using the Internet as an alternative delivery channel to reach existing customers and attract new customers.

**Branding-** Relationship building is a strategic priority for many national banks. Internet banking technology and products can provide a means for national banks to develop and maintain an ongoing relationship with their customers by offering easy access to a broad array of products and services.

## 2.6 KEY DRIVERS OF EXECELLENT PERFORMANCE IN E-BANKING CHANNEL.

**Electronic funds transfer (EFT),** refers to the computer-based systems used to perform financial transactions electronically. The term is used for a number of different concepts including electronic payments and cardholder-initiated transactions, where a cardholder makes use of a payment card such as a credit card or debit card. Card-based EFT transactions are often covered by the ISO 8583 series of standards. A number of transaction types may be performed:

- Withdrawal: the cardholder withdraws funds from their account, e.g. from an ATM
- Deposit: where a cardholder deposits funds to their own account (typically at an ATM)
- Inter-account transfer: transferring funds between linked accounts belonging to the same cardholder
- Inquiry: a transaction without financial impact, for instance balance inquiry, available funds inquiry or request for a statement of recent transactions on the account
- Administrative: this covers a variety of non-financial transactions including Personal Identification Number (PIN) change.

EFT transactions require authorisation and a method to authenticate the card and the card holder. Whereas a merchant may manually verify the card holder's signature, EFT transactions require the card holder's PIN to be sent online in an encrypted form for validation by the card issuer. Other information may be included in the transaction, some of which is not visible to

the card holder (for instance magnetic stripe data), and some of which may be requested from the card holder (for instance the card holder's address or the CVV2 security value printed on the card).

EFT transactions are activated during e-banking procedures. Various methods of e-banking include: Telephone banking , online banking, Short Message Service (SMS) banking, Mobile banking, Interactive-TV banking and telephone banking.

**Telephone banking** is a service provided by a financial institution which allows its customers to perform financial transactions over the telephone.

Most telephone banking systems use an automated phone answering system with phone keypad response or voice recognition capability. To guarantee security, the customer must first authenticate their identity through a numeric or verbal password or through security questions asked by a live representative. With the obvious exception of cash withdrawals and deposits, telephone banking offers virtually all the features of an ATM.

Usually, there is the possibility to speak to a live representative located in a call centre or a branch, although this feature is not guaranteed. In addition to the self-service transactions, telephone banking representatives are usually trained to do what was traditionally available only at the branch: loan applications, investment purchases and redemptions, chequebook orders, debit card replacements, change of address, etc.

**Online banking-** Online banking (or Internet banking), allows customers to conduct financial transactions on a secure website operated by their retail or virtual bank, credit union or building society. Online banking offers features such as: bank statements; electronic bill payment; funds transfer; loan

applications and transactions and account aggregation that allows users to monitor all of their accounts in one place. It is widely recognised that online banking provides more revenue per customer and costs less per transaction than any other e-banking channel.

**SMS banking-** SMS banking is a technology-enabled service permitting banks to operate selected banking services over the customers' mobile phone using SMS messaging.

SMS banking services are operated using both Push and Pull messages. Push messages are those that the bank chooses to send out to a customer's mobile phone, without the customer initiating a request for the information. Typically push messages could be either Mobile Marketing messages or messages alerting to an event which happens in the customer's bank account, such as a large withdrawal of funds from the ATM or a large payment using the customer's credit card, etc. Another type of push message is a One-time password (OTPs).

Pull messages are those that are initiated by the customer, using a mobile phone, for obtaining information or performing a transaction in the bank account. Examples of pull messages for information include an account balance enquiry or requests for current information like currency exchange rates and deposit interest rates.

The bank’s customer is empowered with the capability to select the list of activities (or alerts), that he/she needs to be informed. This functionality to choose activities can be done either by integrating to the Internet Banking channel or through the bank’s customer service call centre.

**Mobile banking**

Mobile banking (also known as M-Banking,) or Wireless Application Protocol (WAP) enabled banking is a term used for performing balance checks, account transactions, payments etc. via a mobile device such as a mobile phone or Personal Digital Assistant (PDA). Mobile banking is most often performed via SMS or the Internet accessed through the mobile device, but can also use special programs downloaded to the mobile device.

**Interactive-TV banking-** Interactive television is a technique that allows viewers to interact with television content as they view it. It is sometimes called interactive TV, iTV or idTV.

As long as the customer subscribes to a satellite or cable television service some banking facilities, such as, checking balances, moving money between accounts, paying bills and setting up overdrafts are made available through a television set. A handful of major banks in the UK have experimented with digital banking services through cable and satellite TV companies.

### 2.7.1 EXTENT OF ELECTRONIC BANKING OPERATIONS IN NIGERIA

Thirty six out of the 89 banks in Nigeria as at the end of 2005 were selected to determine the extent of electronic banking in the country. Questionnaires and interview methods were used to gather data for the study.

The most widely adopted technology is the Local Area Network (LAN). Thirty five out of the 36 banks studied have fully networked their systems within the banks. This made communication of account information easy. MICR cheques were also highly utilized by the banks. Thirty four banks

had fully adopted its use while the remaining two banks had partially adopted it. Findings revealed that one of the earliest developments in the use of computers in banking was based on the handling of cheques. It was borne out of the desperate need to overcome the problem of handling of cheque. This agrees with the findings of (David 1992) that the most significant development in clearing systems over the pass decade has been the growth of bankers Automated Clearing Services.

Program for Daily Calculation of accounts, Wide Area network (WAN) and Electronic Funds Transfer (ETF) also ranked high in adoption among the studied banks. Smart Cards, Point of Sales System and computerized Credit Rating were not very popular as less than half of the studied banks had fully adopted them. The least fully adopted technologies were ATM with only 6 (16.7%), Electronic Home and office Banking with 7 (19.4%) and Telephone Banking with 8 (22.2%).

## 2.8 ATM EMERGES NIGERIANS MOST POPULAR E-BANKING SERVICE

ATM services provided by banks and non-financial institutions have emerged the most popular e-business platform in Nigeria, according to a survey by Inter marc Consulting Limited. The report: "Nigeria e-Banking Customer survey on cards, ATM and PoS," shows that awareness for banking services rendered by banks is mostly limited to the traditional banking services.

According to the survey, while 99 per cent of the respondents are aware of savings account, 92 per cent are aware of current account while 72 per cent

are aware of local money transfer services. Among the more modern banking services such as electronic banking; Internet banking, PoS transactions and money transfer, ATM emerged the most popular with 96 per cent awareness. ATM awareness also ranked higher than that of current account and slightly below savings account. Although services such as local money transfer, international money transfer, loan facilities and telephone banking have been around before the advent of ATM, they recorded relatively low level of awareness. The report conducted to address the industry's biggest challenge of lack of access to accurate and credible market intelligence as well as an independent customer service feedback would be released soon.

The research's fieldwork covered banks. Structured interviews and questionnaires were administered on banks' and customers across the six geopolitical zones. The report provides accurate and credible feedback on banks' performance and ratings in e-banking; First hand knowledge of banks' performance across e-banking channels in different regions of the country; First hand knowledge of performance of the competition; Information on the key drivers of excellent performance in e-banking channel, direct customer feed back on e-banking services and products and Public awareness versus usage of e-banking services and products in Nigeria.

## 2.9 NIGERIA: ZENITH BANK RATED FIRST IN E-BANKING

Lagos – Zenith bank has been rated the best overall performing bank in the design and provision of e-banking products and services among the 35 banks in Nigeria. A customer survey of e-banking services conducted in 15

states drawn across the six geo-political zones of the country by ENTERMARK Consulting, a frontline industry player has confirmed Zenith Bank's leadership in this segment of the banking business,

The report titled, Nigeria e-Banking Customer Survey on Cards, ATM and POS, which reviewed all facets of e-banking including telephone banking, credit card debit cards. Automated Teller Machine (ATM) and Networking showed Zenith coming tops in most of the categories to emerge the over all best bank in e-banking for the year 2007. The report stated specifically. 'Zenith Bank not only seems to be addressing the immediate needs (ATM & networking facilities/services) of its customers, the bank is also better poised to address the future needs of its customers.'

The survey assessed the e-banking status of each bank based on criteria which include availability of service/product ease of use, performance speed of transaction and customer satisfaction among others. Zenith Bank out-classed other banks with an above average score of 148 5 to emerge the overall Best Bank in e-banking in Nigeria. Presenting the report to a select public at the Ocean View Restaurant in Victoria Island Lagos recently, the chairman of the event, Dotun Sulaiman also chairman of inters-witch Consortium, a frontline switching company, said the report was a major tool for the banks in their quest to design (e) – products and services that meet customer satisfaction.

He commended Zenith Bank and others whom, he said, helped to uplift e-banking in Nigeria in line with the emerging global trend. He said though

the e-banking terrain was still in its infancy in Nigeria, there has been commendable progress by the banks that have imbibed it. The survey particularly singled out ATM as the most patronized of the e-business products offered by the banks. It stated that the over all, the deferent aspects of ATM performance emerged as the major drivers in this service industry, adding that ATMs have become so important they are considered fundamental to the overall success of e-banking.

Ironically, while awareness and use of ATM were on the increase, the report revealed marked ignorance on the part of ATM card users, noting that customers could hardly differentiate between a credit card and the debit card. The report further revealed that of the 25 banks in the country, only 10 attach serious attention to the development of e-business; while the rest have carried on as though obvious of the emergent global trend.

The report was widely accepted by the banks as highly credible and reflecting the true status of e-banking in Nigeria. Zenith bank has remained a leading provider of innovative e-banking products and services, parading its kitty such products as AlertZ which allows customers to be notified of their account status 24 hours round the clock and ZMobile, which empowers customers to perform basic banking transactions 24/7 via their mobile phones. To date, Zenith Bank remains the only bank in Nigeria that issues a hybrid Master Card which uses the chip and megstripe technology, the latest and most secure card technology in the world today.

## 2.10 SUMMARY

Electronic operations have continued to change payment systems in Nigeria. A lot of efforts are however required to fully utilize its numerous capabilities. Afri Bank Yola should explore the Internet more intensely to avail themselves of the bountiful opportunities locally and globally. This can be done by utilizing the services of Internet Service Providers (ISPs). Afri Bank should also ensure safety of financial transactions on the net and ATM via authentication, authorization, data integrity, and non-repudiation. Well-protected private networks should be employed where the source of the request for payment is recorded and proven. The devices such as message integrity, digital signature, digital wallet, secure electronic transaction (SET), electronic cash (e-cash), electronic cheque, smart cards, electronic bill payment and digital certificate can be used in this regard.

Electronic banking depends largely on regular supply of electricity. Unfortunately power generation and supply in Nigeria is far below what could make for efficient operations of banks using ICT devices. Lack of enabling environment to be provided by functioning electricity in the state has reduced the level of assimilation of the services and systems in the Nigerian Banking Industry. The Nigerian…. Electronic mains utility (Power Holding) should be revitalised to provide more reliable electric power supply to the consumers. Alternative sources of power such as generating plants should be used to avoid the damaging effect of electric power supply. Independent Power Providers (IPPs) should be allowed to operate to give room for healthy competition. The national telecommunications carrier (NITEL) should be

properly reengineered to improve on its efficiency in the provision of telecommunications services which give the necessary platform for full banking automation.

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# CHAPTER THREE

# METHODOLOGY

## 3.0 INTRODUCTION

This chapter covers the research design, sources of data, instrument for data collection, population, sample size, method of data analysis and collection.

## 3.1 RESEARCH DESIGN

This research was conducted using survey research design. Survey research study both large and small population by selecting and studying samples chosen from the population to discover the relative incidence, distribution, and inter relation of sociological and psychological variables.

## 3.2 SOURCES OF DATA

Primary and secondary sources of data were used for this study Primary data: - consist mostly of interviews of discussion of which were supplemented with personal observation. Questionnaires were sent to the branch to confirm to the responses from both interview and the questionnaires. Secondary data: - was based on library search in which number of textbooks, magazines, and journals were vastly employed others include paper presentations seminars etc.

## 3.3 INSTRUMENT FOR DATA COLLECTION

Questionnaire is one of the research instruments that is used to collect basic descriptive information from a large sample. It consists of a set of questions designed to gather data or test relevant research hypothesis for the study (Ali, 1996).

Base on the research design the questionnaire was used as the instrument for data collection and also interviews was used to back the answers from respondents.

## 3.4 POPULATION

Staff of Afri-bank Yola branch, form the population of the study. They are 30 in number, hence, the objects that the researcher has studied.

Table: 3.1. Shows the breakdown of the Population size:

| **Status** | **f** | **(%)** |
|---|---|---|
| Managers | 5 | 16.67 |
| Heads of Departments | 5 | 16.67 |
| Staff in banking operations | 18 | 60 |
| Data processing personnel (IT staff) | 2 | 6.67 |
| **Total** | **30** | **100** |

## 3.5 SAMPLE SIZE

The entire population constitutes the sample for the study. This is as a result of the size of the population.

## 3.6 METHOD OF DATA ANALYSIS

In order to transform the data collected into useful information, the researcher employed the use of descriptive statistics to analyse the data collected.

## 3.7 METHOD OF DATA COLLECTION

The data was gathered personally by the researcher.

# CHAPTER FOUR

## DATA PRESENTATION, ANALYSIS AND DISCUSSION

### 4.0 Introduction

This chapter presents the data analysis used to answer the research questions.

### 4.1 Response Rate

A total of thirty (30) copies of questionnaire were distributed. All were duly filled and returned. This represents 100% response rate. The maximum response rate is as a result of the size of the respondents and the personal efforts of the researcher in persuading them to respond.

### 4.2 Data presentation and analysis

This section presents the analysis of data collected for the purpose of answering the three research questions raised in the study. Frequencies, percentages and mean scores of the data were computed and the results discussed. This is presented as follows:

### 4.2.1 Nature of e-Banking in Afri-Bank Yola Branch

The researcher provided the respondents with five (5) statements on the nature of e-banking in Afri-Bank Yola. They were requested to indicate their level of agreement with the statements. The data collected in this regard was analyzed and presented in table 4.1 below:

**Table 4.1: Nature of e-Banking in Afri-Bank Yola Branch**

| S/N | STATEMENT | RESPONSE | | | | | Mean | Remark |
|---|---|---|---|---|---|---|---|---|
| | | SA (4) | A (3) | D (2) | SD (1) | U (0) | | |
| 1 | Our e-banking services are user friendly. | - | 2 | 20 | 8 | - | 0.49 | Disagree |
| 2 | The flexibility of our e-banking is excellent. | - | - | 25 | 5 | - | 1.0 | Disagree |
| 3 | Our e-banking is problem free. | - | - | 27 | 3 | - | 1.0 | Disagree |
| 4 | Our e-banking services are second to none. | - | - | 29 | 1 | - | 1.0 | Disagree |
| 5. | All the components of e-banking are available in our branch. | - | - | 20 | 10 | - | 1.0 | Disagree |

In the table above, all respondents mean score fell below the average mean of 2.0. The nature of e-banking which is expected to be user friendly, flexible and problem free to provide better services and to excel in competition as stated in chapter two under the benefits of e-banking by Laudon (2001) is lacking. The table shows that all the respondents disagree with the nature of e-banking in Afribank, Yola branch.

### 4.2.2 Contribution of e-Banking to the output of Afri-Bank Yola Branch

The researcher provided the respondents with five (5) statements on the contribution of e-banking to the output of Afri-Bank Yola branch. They were requested to indicate their level of agreement with the statements. The data collected in this regard was analyzed and presented in table4.2 below:

**Table 4.2 Contribution of e-Banking to the output of Afri-Bank Yola Branch**

| S/N | STATEMENT | RESPONSE | | | | | Mean | Remark |
|---|---|---|---|---|---|---|---|---|
| | | SA (4) | A (3) | D (2) | SD (1) | U (0) | | |
| 1 | Customers show satisfaction with our e-banking services. | - | - | 18 | 12 | - | 0.64 | Disagree |
| 2 | Our branch output improves as a result of the e-banking services we provide. | - | - | 10 | 19 | 1 | 0.51 | Disagree |
| 3 | Our share holders show satisfaction with our e-banking services. | - | - | 15 | 15 | - | 0.60 | Disagree |
| 4 | The introduction of e-banking in our branch has transformed our services to excellence. | - | - | 15 | 15 | - | 0.60 | Disagree |
| 5 | The output of our branch was low before the introduction of e-banking services. | - | - | 12 | 15 | 3 | 0.52 | Disagree |

The above table reveals that Afribank Yola branch services and output have not improved as a result of e-banking. Customers and shareholders are not satisfied with e-banking of the branch. Hence the branch cannot be compared with banks such as Zenith bank, which was rated first in e-banking in Nigeria. The contribution of e-banking to the output of Afribank Yola branch is so poor that their mean score is not up to 1.0.

### 4.2.3 Key drivers of excellence in Afri-Bank Yola branch

The researcher provided the respondents with five (5) statements on key drivers of excellence in Afri-bank Yola branch. They were requested to indicate their level of agreement with the statements. The data collected in this regard was analyzed and presented in table4.3 below:

**Table 4.3 Key drivers of excellence in Afri-Bank Yola branch**

| S/N | STATEMENT | RESPONSE | | | | | Mean | Remark |
|---|---|---|---|---|---|---|---|---|
| | | SA (4) | A (3) | D (2) | SD (1) | U (0) | | |
| 1 | ATM is adequately available for our customers and it is a key driver of excellence in our branch. | - | 5 | 10 | 12 | 3 | 1.88 | Disagree |
| 2 | SMS banking is a key driver of excellence in our branch. | - | - | 12 | 18 | - | 0.56 | Disagree |
| 3 | Telephone banking serves as a key driver of excellence in our branch. | - | - | 17 | 13 | - | 0.62 | Disagree |
| 4 | Online banking is a key driver of excellence in our branch. | 5 | 20 | 1 | - | 4 | 2.5 | Agree |
| 5 | Electronic funds transfer is an excellent key driver of excellence in our branch. | 12 | 18 | - | - | - | 3.0 | Agree |

It can be deduced from the table above that online banking and electronic funds transfer are the only key drivers of excellence in the branch. This is represented by the mean score of 2.5 and 3.0 respectively. The remaining variables were not

accepted by the respondents as being key drivers of excellence in the branch. This is not surprising since it was earlier discovered that the branch is not effective in terms of e-banking.

# CHAPTER FIVE

# SUMMARY, CONCLUSION AND RECOMMENDATION

## 5.0 SUMMARY

The research introduced the subject matter taking into consideration what e-banking is all about. The research problems were stated along with the research objectives and questions. The scope and limitation of the study were expressed. Related literatures were reviewed which gave a theoretical focus.

The questionnaire and the interview methods of data collection were used in this study; sampling technique was used to select the respondents. A total of 30 persons provided the sample for this study. The research results were presented in frequency distribution tables and mean scores were used to indicate the respondents view points in the questions raised. The result revealed that Afri bank Yola do not used e-banking products that will enhance effective output.

Therefore, some recommendations are put forward to help address the loop-holes identified by this study.

## 5.1 CONCLUSION

Electronic operations have continued to change payment systems in Nigeria. A lot of efforts are however required to fully utilize its numerous capabilities. Afri Bank Yola should explore the Internet

more intensely to avail themselves of the bountiful opportunities locally and globally. This can be done by utilizing the services of Internet Service Providers (ISPs). Afri Bank should also ensure safety of financial transactions on the net and ATM via authentication, authorization, data integrity, and non-repudiation. Well-protected private networks should be employed where the source of the request for payment is recorded and proven. The devices such as message integrity, digital signature, digital wallet, secure electronic transaction (SET), electronic cash (e-cash), electronic cheque, smart cards, electronic bill payment and digital certificate can be used in this regard.

Electronic banking depends largely on regular supply of electricity. Unfortunately power generation and supply in Nigeria is far below what could make for efficient operations of banks using ICT devices. Lack of enabling environment to be provided by functioning electricity in the state has reduced the level of assimilation of the services and systems in the Nigerian Banking Industry. The Nigerian…. Electronic mains utility (Power Holding) should be revitalised to provide more reliable electric power supply to the consumers. Alternative sources of power such as generating plants should be used to avoid the damaging effect of electric power supply. Independent Power Providers (IPPs) should be allowed to operate to give room for healthy competition. The national telecommunications carrier (NITEL) should be properly reengineered to improve on its efficiency in the provision of

telecommunications services which give the necessary platform for full banking automation.

## 5.2. RECOMMENDATION

Based on the findings of this study, the following recommendations are made.

i. Afri-bank Yola should explore the internet more intensely to avail themselves of the bountiful opportunities locally and globally.

ii. They should also ensure safety of financial transactions on the net and ATM via authentication, authorisation, data integrity, and non-repudiation.

iii. Well-protected private networks should be employed where the source of the request for payment is recorded and proven.

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# APPENDIX!

Department of Management,
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Federal University of Tech. Yola,
Adamawa State.

Date:……

Dear Sir/Madam,

**QUESTIONNAIRE**

I am an MBA student of the above named institution, and as a partial fulfilment of the requirements for the awards of Masters Degree in Finance (MBA) of the above institution, I have conduction a research on **"The Impact of e-banking on the performance of Banks in Nigeria"** a case study of the Afri-Bank Yola Branch.

Please, complete the attached questionnaire to enable me complete my research work. I assure you that data collected would be treated strictly confidential and for academic work only

Thank you.

Yours faithfully,

ESTHER JAMES

**QUESTIONNAIRE ON THE IMPACT OF E-BANKING ON THE PERFORMANCE OF AFRI BANK, YOLA BRANCH**

## SECTION A

### Bio Data

Instruction: Tick the appropriate box

1. Gender: Male { } Female { }
2. Age: 0-20 yrs { } 21-40yrs { } above 40 { }
3. Qualification: PSLC { } O'level { } A'level { } Others { }

## SECTION B

Instruction: Tick the appropriate box: strongly agree (SA=4), Agree(A=3), Disagree (D=2), Strongly Disagree (SD=1), Undecided (U=O)

**i. Nature of e-banking in Afri-bank Yola Branch**

| | 4 | 3 | 2 | 1 | 0 |
|---|---|---|---|---|---|
| 4. Our e-banking services are user friendly. | ( ) | ( ) | ( ) | ( ) | ( ) |
| 5. The flexibility of our e-banking is excellent. | ( ) | ( ) | ( ) | ( ) | ( ) |
| 6. Our e-banking is problem free | ( ) | ( ) | ( ) | ( ) | ( ) |
| 7. Our e-banking services are second to none. | ( ) | ( ) | ( ) | ( ) | ( ) |
| 8. All the components of e-banking are available in our branch. | ( ) | ( ) | ( ) | ( ) | ( ) |

ii. **Contribution of e-banking to the output of Afri-Bank Yola branch**

| | 4 | 3 | 2 | 1 | 0 |
|---|---|---|---|---|---|
| 9. Customers show satisfaction with our e-banking services. | ( ) | ( ) | ( ) | ( ) | ( ) |
| 10. Our branch output improves as a result of the e-banking services we provide. | ( ) | ( ) | ( ) | ( ) | ( ) |
| 11. Our share holders show satisfaction with our e-banking services. | ( ) | ( ) | ( ) | ( ) | ( ) |
| 12. The introduction of e-banking in our branch has transformed our services to excellence. | ( ) | ( ) | ( ) | ( ) | ( ) |
| 13. The output of our branch was low before the introduction of e-banking services. | ( ) | ( ) | ( ) | ( ) | ( ) |

**iii. Key drivers of excellence in Afri-Bank Yola branch**

| | 4 | 3 | 2 | 1 | 0 |
|---|---|---|---|---|---|
| 14. ATM is adequately available for our customers and it is a key driver of excellence in our branch. | ( ) | ( ) | ( ) | ( ) | ( ) |
| 15. SMS banking is a key driver of excellence in our branch. | ( ) | ( ) | ( ) | ( ) | ( ) |
| 16. Telephone banking serves as a key driver of excellence in our branch. | ( ) | ( ) | ( ) | ( ) | ( ) |

17. Online banking is a key driver of excellence in our branch. ( ) ( ) ( ) ( ) ( )

18. Electronic funds transfer is an excellent key driver of excellence in our branch. ( ) ( ) ( ) ( ) ( )