The E-Banking system: The Dynamism of Financial Transparency and Globalization

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Abstract

The Nigerian banking system had operated perfectly on the manual banking system where the banking activity is done in a single banking hall with much manual recording system and many paper works. However, there was the issue of poor transparency of the whole process, poor dissemination of financial information and unreliable financial information by the banks. These call for a change and hence the introduction of the E-banking system. Thus, this study is an evaluation of the extent to which E-banking has assisted in projecting banks due process compliance, transparency and accuracy in generating financial information. The study made use of survey research design using a structured questionnaire to gather necessary data. The generated data was analyzed using the Binomial test of equal test proportion. The result shows that the E-banking has assisted in projecting transparency in the banking sector. There is also adequacy in the process of generating financial information. The cashless society has begun but currently at low ebb and also not much has been achieved. The study recommended that there should be upgrading of the technology to provide robust and adequate application of the E-banking services. The system should also put in place adequate customer protection system.

Keywords: e-banking, transparency, Globalization
1. Introduction

The Electronic banking is a system that is meant to bring the banking services to age and ensure that today’s banking services goes beyond acceptance of deposit and creation of credit. The banking system with the aid of the Electronic banking technology is meant to network the whole financial system, providing adequate services at low cost and high efficiency level. The financial system is meant to become robust, enlarged and functional, providing real-time online financial services to customers, investors, and all stakeholders in the financial section. The system is design to reduce cost, promote the growth of the economy and to bring about increase financial activities that will ultimately increase the Gross domestic product of the nation. The cashless society goal of the E-banking system is meant to reduce the burden of carrying cash around thereby reducing transaction risk and increasing system credibility and flexibility. The internet banking is another recent phenomenon of the E-banking technology. The internet banking is the application of the internet facility in providing financial services and transmitting financial information between the banks stakeholders and the operators of the banking system ( ). Today with the aid of the electronic banking technology several financial transactions between the banks and their customers are carried out via the internet. Payment systems are now done electronically and fund transfer could be done without carrying cash around. The E-banking meant to provide adequate freedom and accuracy with high level of integrity in financial services and business transaction activities. Also, the extent of transparency is meant to be fostered, as the need to disseminate accurate financial information become obvious. However, technology failure, human manipulation and poor customers’ relationship still left a lot to be desired. The customers and stakeholders knowledge in application of the E-banking technology is another issue of value. The fact that a large proportion of the Nigeria population live in the rural area, their knowledge and usage of the E-banking remains an issue in point. The study is meant to evaluate the effectiveness of E-banking in projecting high level of integrity and compliance with due process.

2. Literature review

2.1 Technology and electronic system

Osabuohien (2008) stated that technology can be referred to as the application of knowledge for the execution of a given task. It entails skills and processes necessary for carrying out activities (works) in a given context, while ICT encompasses computer systems, telecommunication, networks, and multimedia applications to work (Frenzel, 1996). It came into use in the late 1980’s replacing earlier terms like Electronic Data Processing (EDP), Management Information System (MIS), although the latter terms are still in use as noted by Frenzel (1996).
Further to this, the adoption of Information and Communication Technology (ICT) in banking sector is generally referred to as electronic banking (E-banking) and application of its concepts, techniques, policies, and implementation strategies to banking services has become a subject of fundamental importance and concerns to all banks and indeed a pre-requisite for local and global competitiveness in the banking industry as noted by Adewuyi (2011). Internet banking is the act of conducting financial intermediation on the Internet (Kim et al., 2006).

The impact of (ICT) cannot be overemphasized, this advancement in Technology has played an important role in improving the standard of activities in the Banking industry. Woherem in Adewuyi (2011) noted that only the banks that have their whole activity networked electronically and have fully implemented the ICT that can withstand the competition for survival in the new millennium. For instance in its simplest form, the Automated Teller Machines (ATMs) and deposit machines now allow consumers to carry out banking transactions beyond banking hours either at the banking arena or remotely at any other place (Agboola, 2002). It also allow for interbank transaction with ease and at high speed also.

2.2 Concept of the effectiveness of the electronic banking

Akpan (2012) study the effectiveness of the electronic banking (e-banking) system and the customer service, it was noted that the current banking operation in Nigeria is significantly adequate. It was also established that majority of bank customers are not aware of other electronic services than the existence of Automatic Teller Machine (ATM). Other electronic services like internet banking, telephone banking and Point-of-Sale (POS) are not known. The study recommended that banks should create enough awareness of other electronic services available in the country. It was also recommended that banks should use more efficient telecommunication equipment like fibre-optic cable in data transmission to make the system operation faster and secured given the associated problems of insecurity in electronic cards and frequent network failures in banking services.

Adudu and Kingoo (2012) in a related study of the relationship between the effectiveness of electronic banking and financial performance among commercial banks in Kenya opined that the banking industry has been in a process of significant transformation. He noted that the force behind this transformation of the banking industry is Innovation in information technologies. Information and communication technology is at the centre of this global change curve of electronic banking system in Kenya today. He noted that in general, e-banking has strong and significance marginal effects on returns on asset in the Kenyan banking industry and hence there exists positive relationship between e-banking and bank performance. Adudu and Kingoo (2012) like Akpan (2012) in general concluded that
electronic banking has made banking transaction easier by bringing banking services closer and improving banking industry performance.

3. Electronic banking: The Nigeria history

Ovia (2001) argued that Electronic banking is a product of e-commerce in the field of banking and financial services. In what can be describe as Business-to-consumer (B2C) domain for balance enquiry, request for cheque books, recording stop payment instruction, balance transfer instruction, account opening and other forms of traditional banking services. Banks are also offering payment services on behalf of their customer who shop in different e-shops.(Adudu and Kingoo, 2012).

Ovia (2001) also noted that the introduction of electronic banking has improved banking efficiency and transparency, this is because customers can check and examine their transactions of different accounts more easily and frequently, which is easier to access to paper statements to expose identify theft (Herington and Weaven, 2007). Information and Communication Technology (ICT) is at the centre of electronic banking system in Kenya today (Steven, 2002). It was Adudu and kingoo (2012) who noted that the Banking industry in Kenya cannot ignore information systems because it play a critical role in the current banking system growth. They pointed out that the entire cash flow of most banks is linked to information system.

In the past few years, Nigerian banks and generally the financial services industry embraced electronic banking which has been made possible by the advancements in Information Technology (IT). According to Sanusi (2002), the introduction of such e-payment products in Nigeria commenced in 1996 when the CBN granted All States Trust Bank approval to introduce a closed system electronic purse called ESCA. This was followed in February 1997, with the introduction of a similar product called “Paycard” by Diamond Bank. The card based e-money products assumed an open platform with the authorization in February 1998, of Smartcard Nigeria Plc, a company floated by a consortium of 19 banks to produce and manage cards called “value card” and issued by the member banks.

Many banks therefore launched their websites between 1998 and 2000 with a view to starting Internet banking. A consortium of more than 20 banks under the auspices of Gemcard Nigeria Limited obtained CBN approval in November 1999 to introduce the “Smartpay” scheme. The CBN has additionally granted approval to a number of banks to introduce international money transfer products, telephone banking and on-line banking via the Internet, though on a limited scale (Abdulhakeem, 2002). Many more sophisticated electronic banking products were thereafter introduced to improve service delivery and customers satisfaction. The CBN (2003) had reports that Automated Teller Machines (ATM), Cards, Telephone
Banking, Personal Computer Banking and Internet Banking are now available in the banking system.

4. E-banking and customer service

Agboola (2003) also study the impact of e-banking on customer services and noted that electronic products have been increasing in variety and popularity in Lagos state in the current time. The study stated that 98% of customers agreed that computer facilitates accurate records of banking transactions. It was equally noted that the quality of service delivery has greatly improved since the introduction of electronic services in term of time of service, convenience, prompt and fair attention, faster service and possibility of home and office services.

The existence of the Automated Teller Machines (ATM), Cards, Telephone Banking, Personal Computer Banking and Internet Banking were reported by CBN (2003) to be in Nigeria now. This obviously is going to bring about improvement in the quality banking services and increase competition in the sector. Thus, Nigerian banks today are seriously into new electronic delivery channels for banking products and services with a view to delivering better services and satisfying customers the more.

According to Sergeant (2000), the benefits of E-banking are many and include the benefit to the banks, customers and even the regulators. According to him, for banks, E-banking brings different and arguably lower barriers to entry; opportunities for significant cost reduction; the capacity to rapidly re-engineer business processes; and greater opportunities to sell cross border. For customers, the potential benefits are: more choice; greater competition and better value for money; more information; better tools to manage and compare information; and faster service.

Thus, Nigerian banks today are seriously into new electronic delivery channels for banking products and services with a view to delivering better services and satisfying customers the more. Banks that cannot offer these services are increasingly losing their customers. Berentsen (1998) considers the impact that the substitution of smart cards for currency will have on monetary policy. He argued that electronic substitutes for currency will become widespread, monetary policy will continue to work as before because this currency substitution will leave the demand for central Bank reserves largely intact.

Dogarawa (2010) was of the view that one of the benefits banks derive from electronic banking products and services delivery is improved efficiency and effectiveness of their operations so that more transactions can be processed faster and most conveniently. This will undoubtedly impact significantly on the overall performance of the banks. He also noted that the customers on the other hand, stand to enjoy the benefit of quick service delivery, reduced frequency of going to banks physically and reduced cash handling, which will give rise to
higher volume of turnover. However, he summed that in Nigeria, these seem not to have been achieved in the banking sector. Queues are still seen in the banking halls, bank customers still handle too much cash, and hardly people talk about the electronic banking products that are available in Nigeria.

This problem was studied by him and the study find out that many banks’ customers in Nigeria are fully aware of the positive developments in information technology and telecommunications which led to the introduction of new delivery channels for Nigerian commercial banks’ products and services. Most customers however, still patronize the bank branches and find interaction with human tellers as very important. It also finds that customers enjoying electronic banking services are still not satisfied with the quality and efficiency of the services. He noted also that the problem responsible for this lies on poor quality of service and efficiency. Therefore, this study stemming from the findings of Dogarawa(2010) will want to establish the causes of the poor service delivery and that of inefficiency confronting the banking sector application of technology (e-banking) and how it could be resolved.

5. Objectives of the study

This study attempts to achieve the following objectives:

1. To evaluate the extent of compliance of the E-banking system with due process and financial guidelines.
2. To evaluate the extent to which the system is transparent and the accuracy of financial information electronically generated by the E-banking system.
3. To determine the extent to which the Nigeria financial market has been integrated with the global financial system via the application of the technology and to suggest ways to improve on the benefit of the electronic banking in Nigeria.

5.1 Research Problem

The E-banking is a global phenomenon which no nation can opt away from. However, the problem of transparency of the system and poor dissemination of accurate financial information and protection of consumers remain an issue on point.

Secondly, sharp practices are noticed by the customers many a time especially when financial information are electronically generated by the banking, where the accuracy and ability to verify same by the customers might be difficult.

5.2 Research Method

The research was conducted using the top 10 commercial banking operators in Nigeria as rated by the Nigerian stock market. 9 most capitalized and global commercial banks in Nigeria as the total population for the study (omoh 2014, ). However, since it was impossible to cover the total sampling frame, our sample for the study consist of 120 customers and staff
of the banks, which were carefully selected to cover both the customers and the staff of the banks using the convenient sampling technique. Of the total 120 questionnaires distributed, only 104 were usable despite the fact that the enlightened customers were the only ones selected. A total of 82 questionnaires were retrieved from the customers out of a total of 92 given to them and only 80 were usable. And a total of 28 questionnaires were given to selected top managers of the banks, only 24 were retrieved and usable making a total of 104 questionnaires.

The data collected was analyzed using the binomial test. The binomial test was adopted as it will yield a better result from our questionnaire with scale of 2 and 1, that is, a Yes /No option as the boundary of the work. Secondly, the binomial test was used because it gives a better convergent and divergent structure of the distribution.

5.3 Hypotheses
1. The E-banking system has not increased the transparency and compliance with due process.
2. The E-banking system does not foster quick dissemination of financial information in the financial sector of the nation.
3. The E-banking system has not assisted in integrating the Nigeria banking sector into the global perspective.

Test of Hypotheses

Hypotheses 1

The E-banking system has not increased financial transparency and the process compliance.

| The e-banking system has brought more transparency to the banking system hence reducing the incidence of sharp practices in the banking industry. | 0.50 | X |
| The e-banking system increases the risk of insider abuse and selfish system manipulation. | 0.50 | X |

There are two variables tested in this study at 5% and 10% significant levels, both variables were discovered to be significant at 5% significant level. Thus, E-banking system has brought about financial transparency in the banking sector. Secondly, the incidences of insider abuse and sharp practices have been greatly reduced due to the E-banking system.
Test of Hypotheses Two and Three

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<th>Table 2</th>
<th>Test prop</th>
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<td>The new system foster quick dissemination of financial information in the financial sector of the nation</td>
<td>0.50</td>
<td>X</td>
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<td>The new system has helped integrate the Nigerian banking system into the global perspective</td>
<td>0.50</td>
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There are two hypotheses tested that is hypotheses 2 and hypotheses 3. The two hypotheses were significant at 95% confidence level.

Therefore, the E-banking system fosters quick dissemination of financial information in the financial sector. Secondly the E-banking system has also help in integrating the Nigeria banking sector into the global financial system.

6. Conclusion and Findings

The study is meant to evaluate the effect of the E-banking system on the globalization of the banking sector and the effect of the new system on the transparency and quick dissemination of financial information in the sector.

The following are the conclusions from the study:
1. The incorporation of the E-banking to the Nigeria financial sector has brought about fair level of transparency as noted by Ovia (2001) in the reviewed work this is also supported by the analysis
2. It has also brought about compliance with the due process guidelines in the banking sector.
3. The E-banking has reduced the incidence of sharp practices and insider abuse in the banking sector.
4. The electronic banking system has also help to integrate the Nigeria banking sector the global financial market, this is in line with the assertion of Sergeant(2000) that E-banking brings bring globally the advantage of lower barriers to entry; opportunities for significant cost reduction; the capacity to rapidly re-engineer business processes; and greater opportunities to sell cross border.
5. The introduction of the E-banking system has facilitated prompt online and hard copy financial information dissemination.
6. It has also help promote remote banking and helps promote the cashless society system, as noted by Adudu and Kingoo (2012) in the case of Kenya which is now also true about Nigeria.
7. The Nigeria economy has not taken full advantage of the E-banking benefit unlike many nations of the world and many developing economy like Kenya and South Africa.

6.1 Conclusion

The E-banking system has opened the banking system to several advantages both locally and internationally. The system has also brought the banking service to the door step of customers with high level of precision and transparency. The flow of financial information has also been increased with high level of accuracy and timeliness. The ethical and behavioral aspect of banking system has improved with the new system. However, the system has not proved to eliminate sharp practices in the banking sector. The incidence of outside interference and abuse from exogenous forces has not been proved to be totally eliminated by the E-banking system. Poor literacy level in many part of Nigeria has reduced the benefit of the e-banking system. The e-banking system is only felt in the urban center of Lagos and few others in the country. Most remote areas and the suburb have not witnessed the transformational force of the e-banking system on their banking activities.

6.2 Recommendations

1. The banking operations should ensure the upgrade of the technology used from time to time to keep abreast of new technology for effective purposes.
2. The system should put measure in place to protect the bank services, consumers and ensure absolute customers protection and right.
3. The operator of the financial system should put modality in place to ensure that the e-banking system is extended to the remote areas.

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