Electronic Commerce,
Automation and Online Banking in Nigeria:
Challenges and Benefits

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ABSTRACT

Electronic banking has been around for some time in the form of automatic teller machines and telephone transactions. More recently, it has been metamorphosed by the Internet with a new look and delivery channel for banking services that benefits both customers and banks. The objective of this paper is to find out the correlation between the anticipated benefits/challenges and encountered benefits/challenges. This paper empirically adopted the use of survey research to explore in quantitative terms the various challenges and benefits e-business poses to Nigerian businesses, with particular reference to Banking and Finance Industry. It was found out that there is a statistically significant difference between the anticipated and encountered benefits and major challenges in the potential security breaches faced by the customers. Constant training of employees both local and international on new development in online trading should be encouraged.

Keywords: Automation, Banking/Finance Industry, E-Business, E-Commerce, Electronic Banking

1. INTRODUCTION

E-banking includes familiar and relatively mature electronically-based products in developing markets, such as telephone banking, credit cards, ATMs, and direct deposit. It also includes electronic bill payments and products mostly in the developing stage, including stored-value cards (e.g., smart cards/smart money) and Internet-based stored value products. E-banking in developing countries is in the early stages of development. Most banking in developing countries is still done the conventional way. However, there is an increasing growth of online banking, indicating a promising future for online banking and Nigeria banks are taking good advantage of it.

Nigerian banks started very low in the quest for the adoption for electronic banking but this slow pace witnessed at the beginning of last decade is fast changing for the better in term of adoption of e-banking. Adeyemi (2008) posited that slow adoption of electronic banking practice is rapidly changing for the better. This asser-
tion was supported by Ayo et al. (2007) where they posited that with improved technological development and provision of basic infrastructure there will be improved e-Commerce and e-Payment services with overall reduction in the amount of currency in circulation.

Awareness of electronic payments in Nigeria is increasing and it accounted for N360 billion worth of transaction in 2008 (Adeyemi, 2008; Ayo et al., 2007 as cited in Adesina & Ayo, 2010) submitted that, this revolution started in the Nigeria banking system in 2003 with the introduction of Guideline of Electronic Banking by the Central Banking of Nigeria. This was accompanied by bank reformation exercise in June 2004. The reformation exercise left Nigeria with 24 strong and reliable banks against 89 banks previously in existence. The author further maintained that, the surviving banks of the recapitalization exercise have enormously engaged the use of ICT as a platform for effective and efficient delivery of banking services. This has made Nigerian banking sector more competitive because customers are now yearning for more online services that will cater for all their needs right from the rooms with their desktops, laptops, and palmtops and even from their handsets or desks in their various offices without necessarily step into the banking hall. Global demand as a result of inflow of cash into the economy has also been linked to this dramatic change in ICT embrace. Munirudddeen, (2007) as cited in Adesina and Ayo, (2010) corroborated this submissions that the banks’ huge investment in telecommunication networks and various e-Banking services delivery could be seen as an effort towards measuring up with global standard. This is among other reasons such as increased customer demand, increased competition among banks themselves; derive minimized cost, new entrants, and better service delivery. Moreso and Schaechter (2002) argued that electronic banking has made it easier for customers to compare banks’ services and products, increase competition among banks, and allows banks to penetrate new markets and thus expand their geographical reach. Some even see electronic banking as an opportunity for countries with underdeveloped financial systems to leapfrog developmental stages. Customers in such countries can access services more easily from banks abroad and through wireless communication systems, which are developing more rapidly than traditional “wired” communication networks. Prior to the introduction of electronic banking in Nigeria in the 1990’s masterminded by the new generation banks such as Intercontinental Bank, Zenith Bank, Guarantee Trust Bank etc., financial services delivery was very poor. Customers had to spend hour in long queues in the banking hall to carry out transactions either to withdraw or deposit cash into their account. This was the era of manual processing of transactions. The old generation banks such as United Bank of Africa, First Bank of Nigeria and Union Bank of Nigeria saw themselves as lords in the financial service industry. They dictated the pace in the banking industry and being market leader with many products and services, customers had no choice than to patronize them. With the emergence of internet and electronic banking, customers’ expectations in financial services delivery are yet to be met, hence the reason for this paper. This paper therefore is poised to look at the various benefits and challenges that were anticipated before the advent of internet banking (that is, in those days when there were long queues and spending of hours in the banking hall to carry out transactions either to withdraw or to deposit cash into your account) vis-a-vis the encountered benefits and challenges after the advent of online banking. This was as a result of the existing gap between actual and expected financial services delivery to customers.

The objective is to find out the correlation between the two pairs of the variables measured i.e., the anticipated challenges and benefits with encountered challenges and benefits. But even with the development of e-commerce, online banking in developing countries has yet to receive any significant attention among researchers, and so echoes the general lack of information systems research in sub-Saharan Africa (Mbarika, Okoli, Byrd, & Datta, 2004).
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