

Impact of electronic banking system

[Finance](#), [Banks](#)



Today's business environment is extremely dynamic and experience rapid changes as a result of technological improvement, increased awareness and demands Banks to serve their customers electronically. Bank have traditionally been in the forefront of harnessing technology to improve their products and services. The Banking industry of the 21st century operates in a complex and competitive environment characterized by these hanging conditions and highly unpredictable economic climate.

Information and communication Technology (ACT) is at the centre of this global change curve of Electronic Banking system in Nigeria today (Stevens 2002). Assert that they have over the times been using electronic and telecommunications networks for delivering a side range of value added products and services, managers in Banking industry in Nigeria cannot ignore information system because they play a critical impact in current Banking system, they point out that the entire cash flow of most fortune Bank are linked to information system.

The application of information and communication services has become a subject of fundamental importance and concerns to all Banks and indeed a prerequisite for local and global competitiveness Banking. The Advertisement in Technology has played on important role in improving service delivery standards in the Banking industry. In its simplest form. Automated Teller Machine (ATM) and deposit machines now allow consumer carry out banking transactions beyond banking hours. With online with banking individual can check their account balances and make payments without having to go to the bank hall.

This is gradually creating a cashless society where ADOPTION OF NEW NOMENCLATURE Following the impressive performance of the subsidiaries, a management retreat was held in February, 2009 where it was agreed that unity Bank and its compendium of subsidiaries be adopt an integrated Group Structure. Therefore, unity Bank Pl and its subsidiaries will adopt a new nomenclature that includes “ Group”. This is now ‘ UNITY BANK GROUP. The members of this Group include SUBSIDIARIES (1) Unity Capital Trust Limited (2) Jacaranda Management Services LTD (3) Consumers no longer have to pay for all their purchase with hand cash.

For example: I Bank customer can pay for airline tickers and subscribe to initial public offerings by transferring the money directly from their accounts, or pay for various goods and services by electronics transfer of credit to the sellers Account. As most people introduced mobile banking to cater for customers who are always on the Mobile banking allows individual to check their account balances and make fund transfers using their mobile phones. This was populated by first Atlantic Bank(now First Inland Bank) through its “ flash me cash” product customers can also recharge their mobile phones Via Sms.

E- Banking has made banking transaction easier around the world and it is fast gaining acceptance in Nigeria. The delivery channels today in Nigeria electronic Banking are quite numerous as it is mentioned Automatic Teller Machine (ATM), point of sales (POS), Telephone Banking Smart cards internet Banking etc personal computers in the Banking industry was first introduced into Nigeria by Society General Bank as the popular PC easy access to the

internet and world wide web (WWW) and internet is increasingly used by Banks as a channel of delivering the products and services to the numerous customers. Virtually almost all

Banks in Nigeria have a web presence: this form of Banking is referred to as internet Banking which is generally part of Electronic Banking. The delivery of products by bank on public domain is an indication of advertisement which is known as E- Commerce. Electronic commerce on the other hand is a general term for any type of business or commercial transaction, it involve the transfer of information across the internet. E- Commerce involve individuals and business organization exchanging business information and instructions our electronic media using computers, telephones and other communication equipments.

This covers a range of different types of business from consumers to retails products. However Electronic banking as different online services like balance enquiry, request for queue. Book Recording Stop Payment Instructions Balance Transfer Instructions, 1. 1 Account Opening and other form of traditional banking services. The internet allows businesses to use information more efficiency by allowing customers, suppliers, employers and partners to get access to the business information they need when they need it. These internet enabled services all translate to scale and increased efficiency.

E- Banking greatest promise is timelier, more valuable information accessible to more people at reduced cost of information access with the changes in business operations as a result of the internet era, security concern move

from computer labs to the front page of newspaper. The promise of E-Banking is offset by the security challenges associated with the disintermediation of data access. One security challenge results from “cutting out the middlemen” that too often cuts out the information security the middleman provides.

Another is the expansion of the user immunity from small group of known vetted users accessing data from the internet to thousands of users accessing data from the internet. Application service providers (ASP) and exchanges offer especially stringent – and sometimes contradictory – requirements of per user and per customer security while allowing secure data sharing among communications of interest. E-Banking depends on providing customers partners and employees with access to information in a way that is controlled and secure. Technology must provide security to meet the challenges encountered by E-Banking.

Virtually all software and hardware ventures claim to lid secure products but what assurance does an E-Banking have of a products security? E-Banking want a clear answer to the conflicting security claims they hear from vendors. How can you be confident about the security built into a product independent security evaluations against internationally established security criteria provide assurance of vendors security claims. Customer expectation in term of service delivery and other key factors have increased dramatically in recent years, as a result of the promise and delivery of the internet.

Even after the “ dot-com era” these raised expectations linger The growth in the application and acceptance of internet – driven is more achievable than

ever before, however it is also more complex and fraught with potential costs and risk. The internet introduces customers to a new perception of business time as always “ on available 24/7 and demanding an urgent and rapid response” The challenges for managers is to reconcile their business and their own personal perceptions of time with perceived reality of internet time.

The internet has decisively shifted the balance of power to the customer. The internet is revolutionized sales techniques and perceptions of leading rand’s and the internet is intensifying competition in all its forms. Banking are continuing to use the internet to add values for their customers but in order for this to work effectively maximizing opportunities reducing risks and overcoming problems an E- Banking strategy is required as an impact. Customers and the flows of companies entering the market presents a series of key challenges to companies. It is easy and cheap to put up a website.

But to create an environment delivering effective service on the web too significant proportion of your customers base requires an E-Banking strategy. Electronics banking offers different online service like balance enquiry, request for queue books, recording stop payment instructions, balance transfer instructions, account opening and other form of transitional banking services. 1. 2 Statement of the Problem In Nigeria, Customers of banks today are no longer worried about safety of their funds and increased returns on their investments but rather demand efficient fast and convenient service.

Customers want a bank that will offers them services that will meet their particular needs (personalized banking) and support their business goods for instance ; businessmen want to travel carryout cash for security reason they want to be able to check their balance online find out if a queue is cleared transfer funds among accounts and even want to download transaction record into their own computer at work or home. Customers want a preferential treatment and full attention by their choice bank.

All those are only achievable through electronic banking In line with rendering qualities and acceptable services that most bank in Nigeria are gearing toward and investing large sum of money in information and communication technology. Expectedly such banks services have been improved. United Bank for Africa (ABA), Zenith Bank, (to mention view) are in the forefront in the use of IT in rendering services to their customers the Guardian News paper April 18, 200 ; 21). It also 12 seeks the challenges involved in electronics banking and best industrial practices and the approach of implementing them in Nigeria system. 1. Objective of the study The main objectives of the research work is to examine the impact of electronic banking in Nigeria banking system channels as well as different that could enhance he delivery of consumers and retails products, and also how bank choose to support their electronic banking component services internally, such as internet services provider internet banking software, core banking vendor, managed security services provider, bill payment provider, credit business and credit scoring company Specifically the study objective are;- 1 To evaluate the prospects electronic Banking in Unity bank PI 2 To evaluate the impact of electronic banking in Unity Bank PI 3 To examine the

effect of electronic banking has it improve the fortune of the bank. 1. 4

Statement of Research

Questions Since the release by CAB, August 2003 and the subsequent policy on the guideline of electronic banking system in Nigeria One of the question that is currently being addressed is the impact of electronic banking on the traditional banking player, there are two view that are prevalent in the market. The controversies that the internet is a revolution that will sweep away the orders, argument in are as follow Electronic to set up with lots of new entrants. Deposits will go elsewhere because these banks will have to fight to regain their customer base There would be increase in their cost f funds making businesses less viable. Portal providers are likely to attract the most significant share of banking profits. Traditional banks will find it difficult to evolve; they will be unable to obtain additional capital from stock market.

E- banking as an evolution than a revolution. 1. Research Hypothesis The following hypothesis are formulated in null form to guide study; 1 HO; Electronic banking does not have prospect in Unity bank PI HI; Electronic banking has prospect in Unity bank PI 2 HUH; Electronic banking has not impact on Unity Banks PI 3 HUH; Electronic baking has impact on Unity bank PI HA; Adoption of electronic banking enhance the fortune of Unity banks plus. 4. HA; Electronic banking does not improve bank customer's relationship 5. Ho; the bank electronic banking guidelines does not comply with the CAB electronic banking guidelines. HUH; the Bank electronic banking guidelines complies with the CAB electronic bank guidelines. 1. Significant of the Study The study would enable the bank executives and indeed the policy makers of the bank and financial institution to be aware of

electronic banking as a product of electronic banking with a view to making strategic decision. The research is equally significant because it would provide answer to electronic banking in Unity bank Pl. 1. 7 Scope of the Study In pursuance of the objective of the study, attention shall be focused on electronic banking among other electronic commerce empirical investigation into the adoption of electronic banking in Nigeria and will also examine the nature of electronic banking operation in Unity Bank Pl from 2007 to 2009,. 1. 8 Limitation of the Study In view of the technicalities involved.

It would be unrealistic to assume that all necessary facts have been gathered in the process of the study information gathered s limited to those accesses and made available by the respondents and those gathered from end users However the impacts of this limitation will be reduced to the barest minimum. 1. 9 Definition of Related Team 1. Access product – product that allow consumers to traditional payment instrument electronically, generally from remote locations. 2. ATM card – PUB debit card is a chip device consisting of circuit element on single silicon chip The card a complex circuits that process micro processor with a single chip that contains the complete arithmetic aid logic unity of computers. 3.

Chip card A card now's as an integrated circuit (C) card. A card containing one more computer chip or special purpose processing used to validate personal identification. 4. Smart card – A card with a computer chip embedded on which financial health education and security information can be stored and processed. 5. Western Union Money Transfer (YUM) is a

product that allowed people with relatives in Diaspora who may be remitting money home for family upkeep, project financing school fees etc. Nigeria communities known for having their siblings gainfully employed in other parts of the world are a large market for Western Union Money Transfer. . 0.

LITERATURE REVIEW HISTORICAL BACKGROUND OF CASE STUDY Brief Profile of Unity Bank Pl. Unity Bank Pl is one of the leading retail banks in Nigeria which emerged from the largest merger and consolidation of nine banks: intercity Bank, First Interstate, Tropical Commercial Bank, Centre Point, N. B. Bank of the North and New Africa Bank Limited and spearheaded in investment banking corporate and retail banking came together in January 2006 to form Unity Bank Pl. It has 284 business offices spread across the country and working to increase this number in the nearest future. Unity Bank is the sixth largest bank in Nigeria today by business locations. The Head Office is located at plot 785, Herbert Macaulay, Central Business District, Lagos. While the Head Office Annex is at No. 290, Akin Luggage Street, Victoria Island, Lagos.

The Mission of the Bank is to create superior wealth for our stakeholders and The Vision is to be one of the top five financial service institutions in Nigeria by 2013. Vision Drive Strategic Objectives (a) Financial * Attain a set minimum balance sheet size with respect to Asset size and profitable by the year 2013. This is referred to as 5-in-5 taking it from 2008 to 2013. * Achieve Industry Top 5 position in rate of return on Equity * Achieve Industry Top 5 ratio of income to cost (b) Customer * Build a superior customer service environment within Unity Bank (c) Technology * Significantly improve

Technology leverage within the Bank (d) Human Capital * Build a winning human capacity and Spirit. (e) Retail Focus * Build the nation's number 1 retail Bank. 2. 1. INTRODUCTION TO ELECTRONIC BANKING SYSTEM

Electronic banking system is a conventional banking system which started in Nigeria in 1952; (Benjamin 2001). Since then the industry has witnessed a lot of regulatory and institutional advances. The industry was being controlled by at most five out the 89 banks in existence before the commencement of the merger and acquisition of banks in Nigeria economy. Multiple branch systems is also one of the notable features of Nigerian Banks, with a total of 89 banks accounting for about 3017 bank branched nationwide as at 2004. As well the industry was faced with heavy challenges including the overbearing impact of fraud and corruption. Erosion in public confidence a poor capital base persistent cases of distress and failure poor asset quality and so on.

Part of the move to resolve these lingering problems including the banking reform initiated by the Central Bank of Nigeria in June 2004, which is largely targeted at reducing the number of Banks in the economy and making the emerging banks stronger and reliable. So far the banking reform has which ended on 31st December, 2005 in the bid to catch up with global development and improve the quality of their service delivery. Nigeria banks have no doubt invested much o technology and have widely adopted electronic and telecommunication network for delivery a wide range of value added product and service, they have in the last few years transformation from manual to automated yester. Unlike before when ledger cards were used, today banking has been connected to information technology networks

thereby facilitating the practice of inter – banking and inter – Branch banking transactions.

Development domestically has the introduction of mobile telephone in 2001 and improved access to personal computer and internet service facilities have also added to the growth of electronic banking in the Nigerian banking sector, However where as local banks most commonly practice real time on line internet banking, the integration of customers into the process is far from been realized. Many of the reason are attributed to the high prevalence of internet fraud and lack of an adequate regulatory framework to protect the banks from the volatility of risk associated with internet banking especially at the levels of communication and transactions. In the main Nigeria is globally regarded as the headquarters of Advance Fee Fraud which is perpetrate mostly via the internet Ronald of international affairs The vast majority of the recent literature on electronic money and banking suffers from a narrow focus. It generally ignores electronic banking entirely and equates electronic money with the substitution of currency through electronic gadget Such as smart cards and virtual currency. For example Freedman (2000) proposes the electronic banking and electronic money consist of three device; access devices stored value cards and network money. Electronic banking is simply the use of new access device and is therefore ignored. Electronic money then is the sum of stored value (smart) cards and network money (value stored on computer hard disks).

What is most fascinating and 23 revealing about this apparently popular view is that electronic banking and electronic money are no longer functions

or processes but devices Within this rather narrow scope for electronic money there are nonetheless many research that address one or more of the challenges facing it Sandstorm and setter (1996) print (1991) and slim and Track (2002) and many others present models that identify conditions under which alternative electronic payment substitute for currency to emerge and flourish on a large scale depending on the characteristics of the various technologies as well as the characteristics of the potential user

Bergsten (1998) considers the impact that the substitution of smart cards for currency will have on monetary policy arriving that although electronic substitutes for currency substitution will leave the demand for Central Bank reserves largely intact Good haft (2000) discuss how monetary control would in an economy in which Central Bank currency has been partially or completely replaced by electronic substitutes. Cowan (2001) distinguishes between monetary control and monetary anatomy where monetary control is the ability of the of the Central Bank to influence output reduce monetary autonomy other hand; Goblin (1997) argues that electronic runners substitutes are 24 part of a general process of technological advance and globalization that are rendering national authorities of all kinds important and obsolete.

Lee and long - Kinswoman (1999) present the standard Justification for regulation of financial markets systemic risk and consumer protection; they argued that both will Justify regulation of electronic currency substitutes they noted that European regulators have already defined stored value cards as the taking of a deposit so that only banks may issue them, several other

authors particularly Central Banks such as roadman (2000) have argued that the state can always use its power to regulate electronic money providers if they prove to be determined to monetary policy or finance stability.

Hellenize (1998) makes the case that such coercive power will still be effective in a world of electronic banking. Tanana (1996) on the other hand, proposes the establishment of a monetary authority in cyberspace that will control electronic currency substitutes.

Friedman (1991) point out that electronic banking presents the possibility that an entire alternative payment system not under the control of the Central Bank of Nigeria may arise, in an extreme variant of freedman King (1991) argues that today computers make it at least possible to bypass the payment system altogether instead using direct bilateral clearing and settlement; the responses to Friedman. Woodward (2000) argue that the central bank will either continue to provide the payment system of choice or will find alternative ways to conduct monetary policy through stabilization of short term interest rates regardless of what form of money is being used. Although this second set of research introduces some critical issue, it is too vague bout what exactly is meant by electronic money and banking.

Part of the vagueness stems from the focus of these papers on the payment system rather than on the payment media. Nonetheless a complete view of electronic money and banking should include both the payment system and the media used in the system. The feasibility of an alternative payment after all is intimately tied to the feasibility and desirability of the media flowing through that system. The use of information technology in banking

operations is called electronic banking. Via (2001) argue that electronic banking is a product of e-commerce in the field of banking and financial service. What can be described as business-to-consumer (B2C) domain for balance enquiry, request for cheque books, recording stop payment instructions, balance transfer instruction, accounts opening and other forms of traditional banking service, Banks are also offering payment services on behalf of the customer who shop in different e-shop. This is a facility that enables customer, via telephone calls, find out about their session with their bankers merely dialing the telephone numbers given to them by the customer as a means of identification of authentic users before they can receive any information they requested for.

This is a service introduced into the banking balance as a result of computer telephone technology being made available. Via (2001) the technology banking has a universe of possible application limited only by the imagination, these areas include: Account balance enquiry: Account statement printing intra-Banks Account to Account Transfer: inter-Banks Account to Account Transfer: Download Account Transaction etc Telephone and Pc banking brings the bank to the doorstep of the customer, it does not require the customers to have his premises: interaction voice response becomes a regular feature of operations: Text-to-speech capability becomes reality: A uniformed messaging capability become permanent feature of the bank.

2. 3. 2 THE CARD SYSTEM The card system is a unique electronic payment type. The smart card are plastic devices with embedded integrated circuit being used for settlement of financial obligations.

The power of card lies in their sophistication and acceptability to store ND manipulate data, and handless multiple application on one card security (Amend 2005) Depending on the sophistication, it card and Atoms (Automatic Teller Machine) While the electronic card is gaining popularity in USA and Nigeria, the Spanish financial institution demonstrated the highest implementation and update of smart card accords Europe (Amend 2005) The smart cards was introduce into the Nigeria market to reduce or eliminate problems of carrying cash about (Amend, 2005) it is electronically In addition it also contains security programs these protect transactions between one card user and the other, it between one card user and the there, it can also be transferred directly to a retailer, merchant or other outlet to pay for goods and services and like cash, transaction between individuals without the need for banks of the other third parties, Also the system does not require central clearing. It is valued immediately. Also the system allows transfer of one value to the other hence it operates like cash.