

# The economic and financial implication of online banking in emerging markets thes...

[Business](#), [Marketing](#)



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## **Introduction:**

Achieving sound financial condition is a major focus for many organizations as it is through continual buying from customers that an organization can grow. Online banking has been identified as an effective strategy of achieving customer loyalty by delivering the best service or quality product in the banking sector. It is however worth noting that very little research has been conducted on application of online banking in the banking sector across the globe with the changing time. E-Banking or online banking seeks to produce quality the first time saves time that is often wasted on correcting mistakes hence can be used by banks to deliver timely services and in the process help build customer loyalty. This study seeks to investigate the effect of online banking on economic and financial condition of bank in emerging markets.

### **Research Aim:**

This research aims to determine the implication of online banking in the emerging markets especially in economic and financial terms.

Research question:

*What is the economic and financial implication of the sudden emergence and increase of online banking in emerging markets?*

Research interest:

The banking sector in a developing nation like Nigeria is a very important consideration from the economic and financial perspective. Banking has come a long way through digitalization and automation, however this is one area where the limitation of growth is undefined and there are various areas like the online banking that may add a new horizon to the banking in similar developing economies. Hence, it would be in the interest of the banking to broaden literature on online banking sector which is very limited at the moment. It will enable the practitioners to establish how they can apply the online banking to increase their competitive edge through timely delivery of services and products, hence achieve customer loyalty which may have an impact on the economic condition of the bank and its financials.

## **Literature Review:**

Area Based:

According to Elango & Gudep (2006), the extra services or products plays a significant role in high involvement industries such as banking. Mary J. Cronin (1997) highlighted in her research on internet banking, the introduction of a

new paperless era in conducting banking transactions. Conversely, research studies in service management have been conducted with regard to service quality in order to establish the factors that influence the customers' perceptions as well as expectations of service quality and their impact on customer loyalty. Financial service sector and particularly banks are all the same. Banks are directing their efforts towards improving their service and assert that they are customer centric or focused (Kaynak 2003).

According to Willis et al., (2001), time-based competition is a competitive strategy which is broad-based and emphasizes on time as the key factor for achieving as well as maintaining a sustainable competitive edge. Its main purpose is to reduce the time required to develop, process, market and deliver products. Choong et al (2001) point out that for organizations to apply time-based competition strategy, they must change their current processes as well as the decision structures they use in designing, producing and delivering to the customer.

The banking sector has undergone intense competition as well as change in the customers' expectations over the last decade (Al-Swidi & Mahmud 2011). Attention to quality in banks is justified by the current socio-political changes including globalization through online banking which has resulted in a reversal in the customer habits for banking products and services (Pattanayak & Maddulety 2009). Consumers now expect timely delivery, quick response, convenience, and efficiency all at a reasonable price. The changes cause the customers to develop attitudes towards the banks which in turn influence the customers' assessment of the financial products and

services provided and how they are delivered (Pattanayak & Maddulety 2009; Saravanan & Rao 2006).

The beginning of internet banking in the SNFB has made the internet and online banking a new trend in the financial institutions across the planet. Vanniarajan (2007) further adds that there is a significant and positive link between the organizational performance of banks and internal service quality. Some of the key benefits of online banking to the banks themselves are the reduced costs of transactions as there is limited use of both staff and the paper leading to increased profits as per the researcher (Pride et. al, 2008). The usage of online banking has now become a common phenomenon in the developed nations and has paved its way into the emerging economies. This study will review the

- Introduction of online banking in the emerging economies,
- Determine their possible implications on the banking transactions in these markets and
- The possible benefits to banks & customers with the increase in usage of this new facility of online banking.

Nigeria is a great option to explore, as an emerging economic market, where the online banking is a recent valuable addition. Chiemeké et al. (2006) conducted a study to check the preparedness of the banks in Nigeria to launch the online services and his study revealed that most of the banks were providing information sites and very few transactional facilities were available, however even then the impact on customer retention and loyalty was quite positive. Auta (2010) conducted a quantitative analysis to find of

the impact of E-banking through empirical evidence and he agreed that 88% customers of Nigerian banks were highly satisfied with online banking services and recommended the same for better banking experience.

### Time Series Based:

In order to ensure the commercial perspective to the research question is also looked into, the study will also focus on the reviewing the time series based commercial articles using the following books of knowledge.

- Academic magazines articles.
- Academic newspaper articles and
- Peer reviewed or government research results.

## **Research Methodology:**

### Research Philosophy:

The research approach which will be adopted by this study is the quasi-experimental approach. This study approach is far superior to the other research approaches such as the action research approach as it promotes the usage of a natural research environment where the events that are researched are not triggered by the researcher. This ensures that any inconsistencies which are usually seen in artificial research environments are eliminated. This approach also fits with the research question since the aim is to review the impact of online banking in a chosen natural research environment (Cohen, Manion & Morrison, 2007 and Gill & Johnson, 2009).

A regular research has to be conducted on application online banking in terms of building customer loyalty yet competition in this sector is very intense due to globalization as well as due to the fact that most of the banks provide similar products and services and have to find alternative ways of competing in order to survive. An exploratory study using a mixed-method approach into this area could provide information that would enable practitioners to effectively direct their resources in building customer satisfaction, loyalty and retention.

### Research Design:

The research study will try to gain different perspectives on the research topic by using multiple research methods. The primary data collection method will be the use of questionnaires as part of a quantitative data collection process. This will ensure that a fast and economic way of data collection process is utilized which also enlists the views of a wide variety of sample population. The sample population will be selected based on non-random sampling to ensure wide sector of audience's views are gathered (McNabb, 2004, p. 150). The secondary research will also be used from the literature review section to review alongside the primary data collected.

### Research Population and Sampling Techniques:

The population used for this study belong from the marketing managers, strategic managers, and operation managers and IT managers of the banks that will be studied as well as customers who use the online banking products and services. The managers will be selected using purposeful

sampling so that only those that have the required knowledge and experience relevant to the research questions will be used. This technique is encouraged when one needs a sample that is information rich (Flick et al. 2005).

#### Research Data Collection:

The researcher will seek consent from the organizations to be studied and prepare the interviews and the questionnaires. A pilot study will also be conducted to test the effectiveness of the instruments. This is done to ensure that the acquisition of the research skills including sampling to ensure that biasness is limited as well as skill on how to use SPSS to analyze the quantitative data will be successfully done.

The surveys will be conducted with the managers and will be captured to facilitate analysis. Furthermore, a survey questionnaire that is open-ended will be used to collect quantitative data from the customers. The answers will be categorized in yes or no answer while others will be based on a four point likert scale with points; (1) signifying highly agree to (4) signifying highly disagree. Curwin & Slater (2007) explain that the large sample size used in collecting the quantitative data increase reliability of findings and makes them more generalizable to all banks. Questionnaires are easier to administer, hence, it will facilitate a smooth collection of data from the bank corporate customers.

#### Research Data Analysis:



Both primary and secondary data will be used for the study. The data analysis will be conducted using an excel document and various trends will be identified using graphs and percentages. It will then be reviewed to determine specific trends in responses and compared against the academic literature gathered. Any significant discrepancies and similarities will be used to determine the research findings which will further develop the research recommendations. The conclusion chapter will review the researcher's ability to answer the research aim and provide suitable recommendations to the study.

Thematic content analysis is an inductive method of analysis that is applicable to interpretivism as it generates in-depth analyses. This tool codes data based on the emerging meanings, hence, allows quantification as those of the same meaning are grouped as one (Shank 2006). It will enable the researcher to obtain rich analyses that are sufficient in answering the research questions. On the other hand, statistical analysis (both differential and inferential) will applied in analysis of quantitative data. Statistical Package for the Social Sciences (SPSS), computer-assisted software will be used to maintain accuracy.

## **Reflections and Conclusion:**

### *Potential Practical and Empirical Obstacles:*

Practical obstacles are likely to be faced during the data collection process. This includes accessing quality articles and peer reviewed journals. While the University of Leicester provides an e-library, the researcher is required to use

the other e-libraries in order to access more articles to obtain sufficient information. This will cause the researcher to use more financial resources. Time constraint may also be an obstacle as the research has to be conducted within a specified period of time. Potential empirical obstacles include limited access to the sample population especially that from which qualitative data will be collected; hence, its validity as some of the respondents might not reveal all the required information for fear of exposing company secrets or more importantly, some companies do not allow their employees to take part in their in-house research studies.

#### *Validity and Reliability:*

Creswell (Creswell 2009, p. 190) states that “ qualitative validity means that the researcher checks for the accuracy of the findings by employing certain procedures. While qualitative reliability indicates that researcher’s approach is consistent across different researchers and different projects”. As stated earlier that multiple sources will be used to collect the data, interviews, Face-to-face (in person interview), and document collections. To insure that the accuracy of the findings I will employ triangulation as a validity strategy, which defined “ rationale for using multiple sources of evidence” (Yin 2009, p. 114). The most important advantage of using multiple sources of evidence is the development of converging lines of inquiry this process of triangulation can be optioned when the findings of the literature study have been supported by more than a single source of evidence. Thus, case studies using multiple sources of evidence were more highly in terms of the overall quality (Yin 2009).

### Conclusion:

The researcher proposes to conduct a quantitative interpretative exploratory study on the relationship between online banking, and economy and financials. The study will use both secondary and primary sources of data as well as a mixed approach for the primary data. This is to ensure that the findings are not only valid and reliable, but generalizable as well. The researcher will seek consent from the organizations to be studied and prepare the interviews and the questionnaires. A pilot study will also be conducted to test the effectiveness of the instruments. This is done to ensure that the acquisition of the research skills including sampling to ensure that biasness is limited as well as skill on how to use SPSS to analyze the quantitative data will be successfully done.

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