

# CRITICAL ANALYSIS OF ELECTRONIC BANKING IN NIGERIA

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## Abstract

The recent evolution in technology in the banking industry is enormous. Electronic banking has improved banking in the areas of customer service delivery and quicker and effective data capturing. At least it has reduced some hardship in accessing information. Banking has left manual operation of the past but its innovations and service operatives have recorded enormous failures in quality services and security of products. Government should improve her economy as this system of banking will not survive in a weak economy. The researcher intends to assess the relevance of information technology in the banking industry and to assess the quality of services delivery in the recent past.

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**Keywords:** Electronic banking, government, data and information

## Introduction

The Nigeria banking scene has witnessed phenomenal changes, especially since the mid-1980's, and these have manifested in the enormous volume and complexity of operation increased innovation and variety in product/service delivery, financial liberalization, growing competition, customer sophistication and business, process re-engineering. These technologies have been driven by technological advancement and spawned by technological developments. It is therefore true to assert that technology has always been the hub of banking development, more so in the 21<sup>st</sup> century.

The banks in Nigeria are increasingly deploying and updating their information technology infrastructure as a competitive tool, the need to provide quality banking services to their customers has been the main driver of significant information technology in banks today. The effect of globalization in Nigeria banking system, increasing liberalization, keener competition in Nigeria financial system and of course the opportunities and

challenges of internet bankings, has driven some banks in advancing fast technologically. These exposures creates both benefits and problems, banks in Nigeria could learn new ways of doing banking business and become more efficient and profitable. While on the other hand, it could pose as a treat because of the disparities in the level of development and the competitiveness disabilities of Nigerian banks.

Unfortunately, however, inspite of these innovations, the level of bankings technology remains relatively low in terms of both international standard and local needs. For instance the linking of branches of individual banks by computer networks has been y achieved by only a few banks while inter-bank linkage by computer is absent. Besides only a few banks have embraced technology based products such as automated teller machine and other form of electronic banking such as smart cards and electronic wallets (the Nigerian Banker, 1988 P.12).

### **Concepts of Electronic Banking**

Electronic Banking is defined by Pasle Committee on Banking supervision (1995) refers to the provision of retail and small value banking products and services through electronic channels. Such products and services can include deposit laking and the provision of other payment products and services such as electronic money. The committee further explains electronic money in reference to “stored value” or prepaid payment mechanism for executive payment via point of sales terminals, direct transfer between two devices or even open computer network such as the internet (note however that recent report of group of ten-points that a precise definition of electronic money is difficult to provide in part because technological innovations continue to blur distributions between forms of prepaid electronic Mechanism).

The Director General of the Technical committee on privatization Dr. Sham Sudden Usman has seen electronic banking as product of the financial sector to the competitive environment of banks due to the deregulation of the banking system beginning from (1987). He stated that the system of electronic banking involving online and real time electronic transfer of money foe a client is a device employed by banks to remain in business in this new era of financial globalization.

The managing Director and Chief Executive of commercial Bank limited, Chief Femi .A. Adekanye supports this statement when he stated that electronic Banking is a product of competitive pressure under which third world financial institution have to operate. The expected rise in the pace of technological innovations which has been blown into the territorial and cyberspace shore of their world economics by globalization.

Ovia (1998) asserts that for a bank to offer products and services it must first and foremost, register its domain name and develop a rich or scanty web pages. A web page allows the bank to advertise its various products and services to the entire world for a cost or price.

The web page (website) also offers visitors the opportunity of best fully informed of various services of the bank. He also affirm that virtually all international banks in developed nations offer some forms of banking services on the internet. These services include but limited to ones listed below:

- ✓ Payment facilities by credit cards
- ✓ Online access to bank balances
- ✓ Accounts verification
- ✓ Enlargement of a bank's market without building new offices
- ✓ Potentials for fail fledged distributions channels for banking services.

### **Electronic Banking Strategy in the new Generation Banks in Nigeria**

The evolving technology in the banking industry to benefit its customers and improve level of services and also improve data transmission facilities in reducing some hardship of accessing vital information in the face of global and tougher competition can no longer be undermined. The above assertion therefore draws attention to the information technology of the banks and other financial institution likewise that one operating in the economy or industry, (Okunnu 1998). For many years now, banks have pumped huge amounts into information technology and other related ventures in an attempt to improve technology and implement computerization within the system. They have taken decisions and raised and implemented policies that have not been very affective at achieving the desired level of advancement. Deducible from the postulate above is that technology is the bedrock of any strategy banks in the economy could spring to achieve the competitive edge over their competitors in the industry, that despite the huge investment in that, this wise poor implementation of policies has not made this sector made good progress or advancement. He further assert that “unfortunately, managers responsible for some of these decisions have not entirely embrace the line thinking sufficiently to take ample advantage of this budding and new technology. Today, some banks are not fully computerized in their operations talk less of using up-to-date data transfer facilities, or the internet for that matter.

Suffice to say, that the conservative and cynical approach or attitude of some participants in the banking sector in respect to wait and see attitude in the guest towards acquiring new and emerging technology leaves much to be desired. However, unfortunately, this attitude sometimes backfires and

ends up leaving such a big gap between the real situation on the ground and what is achievable using new technology”.

**Aggressive marketing:** The frontier of banking operations has greatly been expanded beyond the traditional practice of accepting and payment of details of replaced transactions. The introduction of technology in the banking sector has made the industry even more competitors and marketers style very aggressive. Banks no longer set back and wait for customers, instead/rather they go and scout for customers and discuss the benefit of doing business with them. This underscores why most banks if not all banks in the economy today have a marketing department which is perhaps not to the information technology department. (Udeagha, June 1999) assert to that it is equally important to stress that bank customers in the year 2000 will have not time for long queues, long hours in banks and that rude bank officials and must be treated as such always. In the face of keener and stiffer competition, banks have derived a further marketing strategy of analyzing the market and introducing new products that would attract customers to do business with them.

It has been asserted that the best form competition is bench-making, hence so many banking products has flooded the market in response to do business to their rivals products. The diamond Integrated savings account (DISA) product of Diamond bank limited has drawn a sharp response from united bank for Africa (UBA) newly introduced product in the market (premium saving account) while the introduction of Western Union Money Transfer of first bank Nigeria plc, attracted UBA response of “Money Gram” Union Bank Plc also reacted with “vigo money transfer”. Also, the cultural traditional festivals is also worthy of mentioning First bank Nigeria plc through Western union money transfer have a major traditional festival in Benin-city, Edo State, knowing fully well that it is one of the city where she makes her highest sales of the “western union money transfer” product.

### **Impact of electronic banking**

Today, banking has left the manual banking operation of the past and the use of its predominantly manual labour that was in the vogue since the days of John Law. The 1979 banking act of England categorized banks according to services they offer a bank is law in operation if it runs current accounts, accepts deposit and offers short-term, this fits the status of commercial banks. However, the skill in the technology of information has made this sector transcend beyond the manual banking of operation. The term technology could be defined as involving “not merely the systematic application of scientific or other organized knowledge of practical tasks but also the social and economic atmosphere within which such application has to take place” (UNCTAD, 1977: 27). This definition posits that banking as a

service industry finds information technology most existing technology has the strategic potential to information technology to change the overall structures of the banking industry.

Today, the link between money and territory has greatly loosened. Electronic banking has brought about major delinkage of money and financial instruments from territory and has created major new sphere of accumulation. Telecommunication, business efficiency, online banking, internet banking etc. most money has left wallets and safes to be stored and moved in the distanceless, borderless, cyberspace of banking computers.

With the electronic flows, a national currency can circulate as easily outside as inside its ostensible “home” country; in the early 1990s almost many US Dollars were held outside as the inside the limited states. Several hundred million credit cards and bank passes in circulation today are valid in scores of countries worldwide.

Information technology affects the competitive advantage by enhancing the activities in which it is involved and can have a decisive effect in determining or influencing cost. Banking at the global level has appreciated the immense benefit derivable from information technology and has warmly embraced it, the impact are the numerous facilities that is enjoyed in the world and banking industry such as electronic fund transfer (ETF), Automated Teller machine (ATU), Smart cards, automated cheque clearing facilities, online banking, internet banking which are all common features in banking system of most developed economics.

### **Education of electronic banking system in Nigeria**

Perhaps the best way to evaluate electronic banking in Nigeria is to assess the quality and security of products, this type of banking system has produced with respect to the quality of services and the security of deposits entrusted in the hands of these banks against the extent of attainment of the objective to the system.

Banking is one profession which elicits varying responses from the people depending on their perception and expectations. This is the unique dissimilarity between banks and performance of one bank over the other. However, the chartered institute of bankers of Nigeria and many other financial institution including banks are helping to affect awareness of and attitude to products and services, motivating sales which in turn boast advancement in the economic growth and flow within and outside the industry.

To the clients judging by their patronage, it should be noted that in the last decade by the last century, the industry experienced a staggering wave of distress which promoted the Nigeria Deposit Insurance Corporation (NDIC) to liquidate many banks thus trapping depositors funds which largely

went down the drain. This led to the consciousness and awareness campaign carried out by the Central Bank of Nigeria (CBN) to wake and keep active the saving culture in the country.

In spite of the awareness exercise carried out by both the CBN and actors in the industry, the level of awareness of electronic banking is still very low, it is no exaggeration that many people cannot boot a computer set let alone operate it, not let alone use to talk of website development and web hosting designed specifically to help community financial institutions deliver complete internet banking capabilities. Also SIB have designed a feature-rich internet banking products to provide the functionality customers are for; moreover, internet banking has created exciting opportunities for customers to do more and more on-line banking. But the technology of consumption has a profound impact on the structure of the economy, even the attitudes and values of our people are in a sense, part of technology as they affect the capabilities of the nation. Suffice it to say that it is not all tales of 1000s as a Nigerian has manufactured Zanex PC that could be acclimated to the nation and also the only PC in the world with the naira sign; thus one of the technologies is needed for electronic banking operations. The literacy level of the Nigerian banking public is still very low, today it is a common sight to find only queue in bank because of their inability to use the electronic facilities, thus it is sometimes true of some of the staff of the bank through credit should be given to almost bank for the training and re-training of their staff, Adimorah 1998 asserts that he regards himself as the most important asset of the bank.

The issue of security is one of the problems this banking system still adequately needs to contend with, it should be noted however, that security is one of the most fundamental concerns that customers have about internet banking. Customers want to know that their account numbers cannot be stolen and used, that personal information is kept private and that their accounts cannot be accessed by unauthorized persons. Bank management must recognize that there are basically two types of computer crime – those that are discovered and those that are not discovered, the point here is that many banks have introduced high tech equipment for banking operation and the implication of this is that banks are now susceptible to computer crimes never before experienced in our system as geographical constituents are no barriers to this type of crime.

Accordingly, bank management have taken preventive measures to maintaining the security of computer and electronic transaction system, these include;

- 1) Adequate physical security to prevent accidental or intentional damage to the computer system and related equipments.

- 2) Software and data files security to ensure that computers programmes and data are not altered accidentally or deliberately.
- 3) Techniques for maintaining transaction data controls and for analyzing the reasonableness of the transactions to detect and report possible crime attempts.
- 4) The use of customer identification methods of precluding unauthorized individuals from initiating transactions to prevent unauthorized interception or alteration of electronic data.
- 5) An adequate internal control to prevent detects and corrects computer crime and other concerns. Having acquired this new technology, bank management made adequate provision for their work force to be well trained and master the use of these equipment and keep their security intact because various are more pre-occupied both their sales also as part of the security device physical access to the network of customers is limited to selected employees with card key access, all administration functions are password protected and depending on the product, may have additional layers of access control.

With the introduction of universal bankings in the banking sub-sector, the industry has become more competitive than ever before with most bank hither to having insurances houses, merchant banks and other financial related subunits, and in similar vein woken up to the fact that there is the need for management to adequately motivate their staff in order to avoid poaching from other banks since professionalism has become the watchword of the industry.

Despite of all the above, suffice it to say, that electronic banking is not a bed of roses in the nations banking industry. The acquisition of high technology in the information technology department in most bank leaves much to be desired. It is true that long awes still exist in some of the old generation banks and a few new ones because they are not fully computerized and in cases where they are, computers there are grossly under-utilized. Also, for the system to survive there should be a deliberate but sound policy to put the country's economy on a strong footing as a weak economy cannot sustain the standard of electronic banking system. More important however, it is necessary for adequate physical and direct security to be taken in view of computer frauds. This is very necessary to avoid another round of bank liquidation as no bank big or small is immuned from this.

## **Conclusion**

Like good wine, good hardworking banks based on qualitative ideas and solid vision can only get better with time. In the process, new hands, techniques and innovations will join, all working to keep the industry's

dream alive and kicking. But then, conscious effort should be made to use good wine bottle, the problems facing this type of banking system in Nigeria are not in surmountable, new problems cropping just as old ones are being solved but successful banks is not just that which has the most accounts or turnover but also that which keeps the most problems at bay and giving credence to suggestions offered.

### **Recommendation**

There is the urgent need for the government to seriously look into the issue of electricity power generation and, supply and that of telecommunication since they are the hub on which the will of this system spins through thus government has started implementing action along this line, more attention and seriousness should be paid to it, to avoid turning public monopoly into a private monopoly.

Secondly, there is the need for the government to trade a hard look at the technological base of the country. Banks are no longer compete locally alone because of the reduction of the world to a global village via the use of sophisticate communication and because of the capital intensive nature of this equipment the cost of doing business will increase thereby defeating one of the aims of this type of banking system.

Also, the Apex bank should not take the security of this banking system with a child glove. The regulatory should ensure that computer fraud is guided against and the encourage players in the industry to report any fraud however little for proper prosecution to serve as a deterrent to others.

Government should improve on her economy as this system of banking will obviously find it difficult to survive on a weak economy.

Finally, the government should introduce computer training into school curriculum at the primary level and make it a compulsory lesson for all students.

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