

# **Factors Affecting the Adoption of Internet Banking in Nigeria**

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## **ABSTRACT**

The aim of this study is to investigate customer's point of view towards internet banking services and to identify some of the factors preventing customers from using internet banking in Nigeria. Fast growing industry of banking and the increased demand for bank services require a reliable infrastructure to meet the needs of customers through providing efficient services. Development of computer technology, especially the internet has made the banking industry offer services to customers in more efficient ways. As result, internet banking services have been considerably expanded by some banks and substantially used by some customers in Nigeria. For the purpose of arriving at proper and reliable findings, four hypotheses have been employed for this research methodology. Questionnaire has been carefully designed and administered to Nigerian bank customers as a method of data collection. Out of 250 questionnaires distributed, 167 were usable and were analysed with SPSS 20.0. The finding of the study identified "ease of use, accessibility and security" as affecting factors, as they were statistically significant and have positive effects on customer satisfaction. However, awareness factor has no effect on customer satisfaction of internet banking. Based on these findings, recommendations were made to improve customers' acceptability and usage of internet banking.

**Keywords:** Internet Banking, Customer Satisfaction, Adoption, Nigeria

## ÖZ

Bu araştırmanın amacı, Nijerya’da internet bankacılık hizmetleri konusunda müşterilerin görüşlerini araştırmak ve müşterilerin internet bankacılığını kullanmasını engelleyen faktörleri belirlemektir. Bankacılık hizmetlerine artan bir talep olduğundan, talep edilen hizmetleri etkin bir şekilde sağlanmasına olanak verecek güvenilir bir altyapı gerekmektedir. Bilgisayar teknolojilerindeki, ve de özellikle internet alanındaki gelişmeler, bankacılık endüstrisinin hizmetlerini daha etkin bir şekilde sunabilmesini sağlamıştır. Neticede, Nijerya’daki internet bankacılığı hizmetleri ve bunları kullanan müşterilerin sayısı artmıştır. Bu araştırmada, dört hipotez yer almıştır. Veriler, bu amaç için hazırlanmış bir anketin 250 Nijeryalı banka müşterisine dağıtımı ve bunlardan 167 tanesinin kullanılır olarak geri dönmesiyle toplanmıştır ve SPSS ile analiz edilmiştir. Etkileyici faktörler arasında ‘kullanım kolaylığı, farkındalık, erişebilirlik, ve güvenlik’ faktörleri olduğu bulunmuştur. Bu bulgular doğrultusunda, müşterilerin internet bankacılığına geçişlerini ve kullanımlarını artıracak tavsiyelerde bulunulmuştur.

**Anahtar Kelimeler:** İnternet bankacılığı, Müşteri Memnuniyeti, Benimsenme, Nijerya.

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# **Chapter 1**

## **INTRODUCTION**

### **1.1 Background of the study**

Internet banking can be referred to as the process in which one can access and manipulate accounts and perform transactions via the internet using personal computers, mobile devices and other web-based applications. Internet banking helps bank customers to conduct their transactions online without been physically present in the banking hall or premises. Since the 1980s, banking sector has played a significant role in global economy and many external and internal forces have affected this sector in different countries (Gentle, 1993). Technological change is identified as one of the external forces in global transition (Daniel, 1997). Tradition form of banking system was used as a medium of transactions in banks whereby customers have to carry out most of their transactions in banking halls. But with numerous emerging technologies, many banks in most developed countries have implemented electronic forms of banking. Some developing countries have also taken advantage of internet banking as it helps to provide speedy and convenient services to their customers. Internet banking provides customers with convenience services that can be carried out at home without going through the stress of going to the bank to have the same operations performed; such as bill payments, checking account balances, office account balances, funds transfers, online shopping transactions, and money transfer. Online banking services and products include account statements, invoices, account access, credit card payments, fixed deposit inquiries, bill payments, check book requests and money

transfers. As many people continue to make use of the internet, online banking is expected to grow exponentially. Due to ever-increasing demands in monetary system, internet banking is seen as a useful tool and as an environmentally friendly alternative to help reduce paper usage. This prompted many enterprises and banks to create websites as to direct the regular e-commerce and banking process electronically (Tawfeek, 2003).

## **1.2 Nigeria as a case study**

Nigeria is the most populous black nation in the world, located in West Africa with an estimated population of 177,155,754 (2014 est.). Nigeria is officially called the federal republic of Nigeria and have an area of 3476,589 square miles on the coast of West Africa. Its borders are adjoining with Benin Republic to the east, Niger Republic to the north and the Federal Republic of Cameroon to the east. Nigeria has a 54-mile long border with the Republic of Chad in the northeast, while its gulf of Guinea coastline stretches for more than 500 miles from Badagry in the west to Calabar in the east, and includes the Bights of Benin and Biafra. Presently, Nigeria is divided into thirty-six states and the Federal Capital Territory which is located in Abuja (CIA World Factbook, 2001).

Nigeria is still at an early age of information technology adoption and most of the citizens are not acquainted with the use of new technology; therefore, implementation of a technology-based banking system, such as internet banking, needs proper awareness among customers regarding its application, usefulness and benefits. Technology acceptance has become a critical issue in the business world today, specifically with respect to internet banking. Without customer acceptance, the efforts by banks to move to the web will not be successful. The customer has a great influence

on the adoption of internet banking (Pikkarainen, Karijaluoto, and Pahnla, 2004), as they are the one who ultimately decide. If the service can clearly show the benefits and how they address customers' needs, then customers are more likely to use internet banking. Previous research into internet banking has mainly focused on innovation adoption in the context of North America and Europe (Pikkarainen et al., 2004) and to some degree, other areas such as Turkey, (Polatoglu and Ekin, 2001).

### **1.3 Research aim and objectives**

The aim of this study is to investigate factors affecting the adoption of internet banking service in Nigeria from the perspective of bank customers. Internet banking has not been widely used by Nigerian bank customers; therefore, this research work focuses on the reasons why attention has not been given to internet banking despite the huge benefits that most users stand to gain from using it.

For the purpose of this study, some importance points need to be considered in order to have some specific goals. Therefore, this research is informed by the following objectives:

- 1- To review the literature on factors affecting the use of internet banking.
- 2- To formulate hypothesis and develop a framework that establish the literature review.
- 3- To undertake a survey with Nigeria Bank customers to know their views and reasons on those issues preventing them from adopting or using internet banking.

- 4- Compare and contrast the findings of the study against the literature review in order to show and prove those factors hindering them from using internet banking service.
- 5- Give some recommendations to improve customers' acceptance and use of internet banking service in Nigeria.

#### **1.4 Importance of the study**

This study is important to both banks and customers as it tries to recommend possible way to facilitate the use of internet banking in Nigeria. I have found some similar studies, research (dissertations) and books (articles, journals etc.) from the university's catalogues and database, and other sources, using "Customers' perception towards internet banking" as keywords. But these research were done mostly in other countries; much comprehensive and detailed research has not been done to suggest possible ways to enhance customers' acceptance and usage of internet banking in Nigeria. There is a need to create more awareness and disseminate relevant information regarding safety and security of transactions to Nigerian bank customers in order to convince them to adopt the use of internet banking.

Therefore, this research deploys a quantitative research by employing questionnaires to get good observations in this area in order to recommend possible and applicable solutions to those factors hindering Nigerian bank customers from adopting internet banking.

#### **1.5 Structure of the study**

This research is divided into six chapters: the first chapter presents an introduction to the research topic which includes the background of study, research aim and objectives, importance of the study and structure of the study. Chapter two contains a literature review on internet banking and the hypothesis while chapter three presents an overview of internet banking. Chapter four describes the methodology of the study while chapter

five presents data analysis and findings. Conclusion and recommendations are made in chapter six.

## **Chapter 2**

### **LITERATURE REVIEW**

#### **2.1 Review of factors affecting banking sector**

There have been previous studies done on internet banking in many countries. Sathye (1997) carried out a survey on the level of internet banking adoption in Australia, and noted that only two banks out of 52 banks had started using internet banking in Australia as of 1997. He therefore advised, that all Australian banks should consider the use of internet banking in order not to fall behind in global technological transitions. Similarly, Diniz (1998) also carried out a survey on the websites of banks in the United States. He pointed out the many opportunities that internet technology could bring to the banks. These research studies done in late 90s show that the use of internet banking and technology have not been employed in most banks in several western countries but still stressed on its significance to banks in terms of profitability and opportunities that follow.

Furst, et. al. (2002) examined the reasons why some banks choose not to adopt internet banking and why other banks offer a wide range of internet banking products and services. They also examined whether offering internet banking service has effects on a bank's profitability. The results showed that there were many significance variations in banks that offer internet banking compared to those that do not.

Chung & Paynter (2002) evaluated the state of internet banking in New Zealand by assessing the websites of seven banks using a tailored e-commerce model. The results showed that most of the banks had up-to-date information on their websites and that security and complex nature of internet banking operations are the hindering factors. Al-Sahbagh & Molla (2004) investigated the factors affecting customers' acceptance of internet banking in the sultanate of Oman. The study revealed that in only two banks were offering internet banking services then. They however, noted that some of banks in Oman were deliberating about going online even though internet banking is still relatively a recent phenomenon in some of Arab countries. From Chung & Paynter's (2002) and Molla's (2004) surveys and perspectives, one of the major factors affecting the adoption of internet banking is the security issue. Customers need to be properly informed on how to use internet banking to ensure and guarantee safety in their operations and transactions.

Achour and Bensedrine (2005) examined the current situation of internet banking services in Tunisia. The research was done in two separate sections. The first section evaluated internet banking services, while the second section analyzed the Tunisian online brokerage network. The study reveals that online database services in the Tunisian banking sectors are still in the early stage of adoption. Awamleh and Fernandes (2005) employed the Denis model to investigate websites of local foreign banks in the United Arab Emirates (UAE). The study evaluated the extent of accessibility and features which could influence customer satisfaction and adoption. The results showed that internet banking in the UAE is still in its early stage; therefore, banks' websites had no adequate features. The study recommended banks to ensure

adequate infrastructures with well-appealed websites to be considered for the aforementioned banks in order to encourage customers to take advantage of it.

Khalfan, A. (2006), also investigated the factors influencing the adoption of internet banking in Oman. The study focused on identifying the key factors that prevent the adoption of e-commerce in Oman banks. Whilst the study showed a slow understanding of e-commerce applications in the banking sector, it pointed to a number of internal and external factors responsible for the slow implementation. Results of the study showed that the confidentiality and the protection of privacy were the most important obstacles, as banks resisted e-banking for fear of exposure to piracy and the threat of viruses. The results also showed that weak administrative support is a hampering factor in the adoption of e-commerce applications. In general, the application of e-commerce was slow in the Arabian Gulf despite the conviction that the application of e-commerce reduced the administrative costs. Moreover, the study showed that the failure to protect the customers, the cost of investment in technology, and the lack of readiness of the market made the electronic banking discouraging. These factors impeded the spread of electronic banking in Oman.

Khalid et al (2006) conducted a study on customer satisfaction with internet banking in Jordan. The study focused on a number of factors such as the customer support, security, ease of use, services and electronic products, information content and innovation. The results showed poor customer satisfaction with internet banking in all the above mentioned factors. The researchers recommended the institutions to further customer satisfaction by improving most of the above factors.



## **2.2 Review of factors affecting customers' adoption**

Sanchez and Gallie (2010) examined the factors that determine the usage of online banking in France. The authors took further detailed study by comparing the internet banking users of French and Mexican banks. They use the data of available survey analysis and Mexican study from 398 French bank users. The results of the survey show that there are six common factors affecting the usage of internet banking; namely compatibility, difficulty, third-party concerns, trust, and group influence. Similarly, Octovian and Daniela (2006) mentioned that Romanian customers were not adopting internet banking services because of unawareness and sufficient information about internet banking. In a parallel the study by Octovian and Daniela (2006) and Omar et al. (2011), it was discovered that most of the bank customers are still not aware of internet banking services, although customers would possibly adopt internet banking due to their willingness to accept change and innovation, and to appreciate ease of navigation on banks website with resulting time savings.

Mobarek (2007) found out that internet banking are mostly preferred by young people in Botswana. In parallel with the study of Mobarek (2007), Polasik and Wisniewski (2008) highlighted that people over the age of 65 are especially reluctant to open internet accounts in Poland. In addition, they made a survey with 3519 people and they found that several people complained about the internet banking security issues. Identically, Dixit and Datta (2010) examined the acceptance of online banking among those customers who are more than 35 years old and they discovered that privacy and security issues are the main indicators that determine adult acceptance among customers in India.

Chang (2005) assessed the relationship between internet banking adoption and demographic characteristics of the customers such as age, sex and marital status in Korea and she observed that individual characteristics do affect the internet banking acceptance process. This is similar to the findings of a study by Agarwal et al. (2009) in which the customer's demographic characteristics and the basic elements that impact their use, perceptions and satisfaction with internet banking in India were been investigated.

Pala and Kartal (2010) investigated the attitude of Turkish bank customers by employing survey analysis on 196 active e-bank users. The results of the survey revealed that money transfer, opening new accounts and credit transactions are among the most widely used online banking transactions. In addition, they found that time saved by using internet banking and the continuous availability of carrying out transactions are the two important factors of online banking. Correspondingly, Gülmez and Kitapçı (2006) discovered that time savings and 24 hours' availability features are important for the adoption of internet banking. Their study was based on analysis of data relating to 187 respondents who work in Cumhuriyet University as academic and managerial staff. The results showed that due to security issues, internet banking is not pronounced among educated people and could not be expected to show much progress in due time. Likewise, Çakmak et al. (2011) concluded that the most significant difference between users and non-users of internet banking is their education level. They found that other important factors are being user friendly, time savings and lower usage costs are some of the factors that determine customer preferences of either internet banking and similar other forms of transactions. These studies highlighted

several benefits customers would get when they adopt internet banking services, such as time saving, 24 hours accessibility and cost reduction.

Bayrakdaroglu (2012) also examined the factors affecting the usage of internet banking services. He obtained data from 5 different provinces in the Aegean region in Turkey. Accordingly, security and privacy issues affect the acceptance of internet banking most. Also, Barişik and Temel (2007) explored e-users' knowledge of security. They discovered that internet banking offers time savings and cost savings but e-users have little or no knowledge about internet banking and security issues. Likewise, Usta (2005) disclosed that the most dominant factors of internet banking are security anxiety, difficulties in its operations and lack of knowledge about the benefits of internet banking.

As distinct from other studies, Eroğlu and Yücel (2012) examined corporate customers' perceptions towards internet banking acceptance and usage in Turkey. They made a survey specifically with 120 firms. The results revealed that internet banking provides cost and time saving to corporations. Special law and regulations were established to support the firms that make use of internet banking in Turkey and it encouraged the rise in the usage of internet banking services among the firms. In a different study, Durer et al. (2009) administered a questionnaire on 550 people through which they discovered that customers are mainly having challenges with the speed of the banks' websites. They also stated that banks' customer services (call desks and supporting services) are not sufficient to meet their demands and requests. These studies also show how significant internet banking is to reduce a bank's work load in providing various services to its customers. Banks need to inform their customers on the benefits of

adopting internet banking and convince them not to be worrisome about safety and security issues.

Bloor and Gikandi, (2009) examined some of the factors that determine customer's usage of e-commerce in Kenya. They carried out two different surveys that were administered in 2005 and 2009 respectively. The assessment showed that between these years, there was a shift in the importance attached to electronic banking by most users. They conclude that e-banking has come to maturity stage in developed countries, it is therefore advisable that banks in developing countries should come to the realization and learn from the developed countries in order not to be taken by surprise and not be left behind in technological advancement.

Akinci at al. (2004) carried out a study to understand consumers' attitudes towards internet banking adoption in Turkey. They examined both users and non-users of internet banking by engaging a random sample size of surveyed data obtained from internet bank user academicians and their demographic and behavioural characteristics. The evaluation showed substantial variations among the demographic characteristics of the users and the non-users of internet banking.

Sathye (1999) investigated the adoption of online banking by Australian consumers and argued that the intention to use internet banking in Australia is significantly influenced by variables of system insecurity, awareness of service and its benefits, ease of use and availability of infrastructure. Other forms of security employed by banks include having an impartial third party to carry out a security assessment of their websites.

Raigaga (2000) pointed out that security concerns have been the most important issue facing the bankers which has delayed the expansion of this technology among banks around the world. Ratnasingam (2002) argued that the impact of trust on web services implies the necessity for the use of security services such as digital signatures, encryption mechanisms and authorization mechanisms.

### **2.3 Hypotheses development**

Adoption is the acceptance and continued use of a product, service or idea. According to Rogers and Shoemaker (1971), before consumers would adopt a product or service, they are likely go through “a process of knowledge, persuasion, decision and confirmation” before accepting it. Consumers have to be aware of an innovation in order to accept or reject the product (Rogers and Shoemaker, 1971). From the perspective of bank planning and marketing strategy, Donnelly and Gultinan (1983) point out that using a product/service is an effective way for marketing strategy to maximize benefits and that consumers need to be informed about any product/service before developing an interest in it. The consumers always look for those products and services that offer value for their money and go for them, (Wallis Report 1997). Therefore, for customers to consider the adoption of internet banking, it is important that banks offering this service should educate the consumers about the usefulness and availability of it and explain how it adds value to them. According to Silicone and Trethowan (1999), the online banking benefits that are observed to add value to customers are convenience and lower costs. Another study by Howard and Moore (1982) laid emphasis on the observation that in order for consumers to start using a product or services, they must become aware of the brand. Therefore, creating an awareness to customers about the benefits of any innovative product or service will improve customer’s level of acceptance and adoption. It is important not just to assume

that quality products will sell themselves to customers without any effort in marketing (Cooper, 1997). Hence, if Nigerian bank customers are not using internet banking, it may be due to lack unawareness about its availability and benefits. These observations and findings point us to the first hypothesis:

**H1: Awareness has a significant positive effect on customer satisfaction.**

The second factor which is considered here relating to internet banking adoption or acceptance by customers is “ease of use”. Cooper (1997), examined “ease of use” as one of three important characteristics and observed that it is a vital point that needs to be considered if customers are expected to adopt to new innovative services. The Wallis’s analysis (1997) also revealed that new technological innovation “should be easy to use” to boost customer acceptability and usage. The extent to which a new innovation is difficult or easy to use or is understood by users was identified as a factor that determined the success or failure of home banking in the USA, Dover(1988). Rogers’ (1962) investigation of diffusion called attention to the significance of individual understanding and perceptions of a new technology and stated that the level of understanding and perceptions influences the rate of acceptance.

Scarborough and Corbett (1992) discovered that “understandings of consumers” to be a relevant element in the dissemination of innovative technology. In a similar study, Daniel (1999) identified “ease of use” as one of the factors that determine customer acceptance and adoption of a product/service during the period of her study of electronic banking in Ireland and United Kingdom. Therefore, the second probable reason why Nigerian bank customers are not using or adopting internet banking may be the lack of uneasy access to banks sites or interfaces. Hence, the second hypothesis considered is:

## **H2: Ease of use has a significant positive effect on customer satisfaction.**

Thirdly, internet banking requires access to computers, internet and other devices for continuous usage or adoption. The easier the access to internet or these devices, the greater possibility of having customers adopting or using internet banking. O'Connell (1996) identifies lack of access to internet and other devices as a factor slow adoption of internet banking. Daniel (1999) examined the UK and Ireland internet banking users and discovered that lack of access to function-able PCs by customers was one of the reason for low usage of electronic banking in these countries. The Wallis Report (1997) revealed that as internet becomes easier to access, it will encourage people to perform greater part of their banking transactions over the internet. The above study clearly revealed that accessibility is one the important factors that determine customer consistency in using internet banking as a medium for transactions. Therefore, if Nigerian bank customers are not using or adopting internet banking, it may be because they do not have access to computer, internet and other necessary devices. This leads us to the third hypothesis:

## **H3: Accessibility has a significant positive effect on customer satisfaction.**

The final yet very significant factor that influences consumers' choice or acceptance of new innovation is the extent to which the person trusts it. Internet banking services are been done over the internet and safety and security of consumers should be greatly considered and checked regularly to avoid failure in protecting customers' accounts. Cooper (1997), it reveals that for consumers to adopt services like internet banking, they usually try to know the level of risk that accompanies it. In other words, risk involved in using or adopting internet banking significantly influences the choice of

using it. A study result on Australian internet banking system reveals that security concerns among customers and bank withhold them from adopting/using internet banking (ABF, 1997). Similarly, O'Connell (1996) also points to security concern as a major issue for slow level of internet banking growth in Australia. Wallis (1997) report states that if security assurance levels are high, several people will carry out most of their transactions online. Rothwell and Gardiner (1984), developed a framework to observe factors that influence users' adoption of technological innovations and found that safety and security are two significant factors that influences users' acceptance. Another study by Daniel (1999) also identifies "security" as a determinant factor for customers' adoption of internet banking. Ezeoha, (2005) also investigated factors affecting the adoption of internet banking in Nigeria. She points out some vital points on the security issue- specifically "fraudulent" transaction in Nigeria. Fraudsters use fake internet bank sites, and in most cases they ask unsuspecting victims to open accounts with them in order to defraud them. Due to this, Nigeria is presently seen as having one of the highest records of Internet frauds in the whole world. According to the National Consumers League (2002), the country is the third highest ranked in internet "money offer" frauds. These issues basically proved to be key factors that determine adoption of internet banking, which includes integrity, confidentiality and reliability. For these reasons, Nigerian bank customers will probably postpone adopting internet banking until their perceptions of safety and security is checked and assured. These observations and findings resulted in the fourth and final hypothesis:

**H4: Security has a significant positive effect on customer satisfaction.**



## **Chapter 3**

### **OVERVIEW OF INTERNET BANKING**

#### **3.1 Introduction**

This chapter presents an overview of internet banking. Due to fast growing industry of banking and the increased demand for bank services from customers, a reliable infrastructure is required to meet the needs of customers by providing effective and efficient services to them. The emergence of computer and technology, especially the internet has made it possible for the banking industry to render services to customers in more effective and efficient ways. Several banks in Nigeria have started offering these services, although customers are still slow in taking advantage of internet banking services. The process of ever-increasing changes in technology has led Nigerian banks to introduce internet banking to their customers in addition to other electronic and remote distribution channels. Meanwhile, internet banking could be referred to as an electronic marketplace in which financial transactions are conducted via online with the aid of internet, (Daniel, 1997). Until recently, ledger cards were used to keep records of transactions, today banking systems are globally networked, thereby facilitating the practice of inter-bank and inter-branch transactions, (Ezeoha, 2005). Internet banking will substantially enhance bank's competitive position in the marketplace by enabling it offer more value to its customers. (Bradley & Stewart, 2003). Consequently, today financial institution need to take full advantage of adopting internet banking to stand firm in the competitive banking system.

### **3.2 History of internet banking**

The evolution of internet banking has begun with telephone banking during 1980"s. There were previous studies and programs on the concept of internet banking. At the early stages of the process, faxes and phones were used rather than the computers and the internet.

In the case of Nigeria as the number of banks increased from 40 in 1985 to 125 in 1991, the competitive level and nature of banking in Nigeria led to commencement of the internet banking as a major alternative for competitive advantage, whereas, e-banking had been observed by the British since the late 60s. Nigeria started the journey of technology banking in November, 1990 when SocieteGenerale bank launched their first automated teller machine (ATM). According to Idowu (2005); the introduction of automated teller machine served as the beginning and bedrock of electronic banking. Nigeria had its initial experience when the SocieteGenerale Bank first led as an example in November 1990 and it was mostly referred to as "cash point 24". From then on other banks started introducing the use of ATM and this led to the introduction of other delivery channels such as the internet banking.

### **3.3 Some services offered by internet banking**

Internet banking offers many importance services to customers. Those customers that have adopted the use of this form of banking system had benefited tremendously in added value services. In order to facilitate this banking system, banks need to take advantage of technological innovations which give them the edge in terms of diversification, increased competition and the acquisition of customers. Nowadays, bank users can do almost all transactions via internet banking. akmak, Gneşer and Terzi (2011) listed the internet banking transactions in detail as follow:

- Fund transfers
- Tax payments
- Issuing and using credit cards for transactions
- Monitoring of foreign exchange trading and foreign exchange rates,
- Invoice payment
- Investment account managements (government bond trading, mutual fund trading, FDI fund operations, etc.).
- Opening of accounts procedures
- View account balance and transaction summary
- Stock purchase and sale
- Export processing instruction
- Foreign investment fund operations.

### **3.4 Benefits and drawbacks of internet banking**

Various authors stressed the benefits of internet banking such as ease of use, time savings, cost reductions, service delivery control, and even technological changes. Curran and Meuter (Ho and Ko, 2008, 2005) list some of the benefits and drawbacks of online banking:

#### **3.4.1 Benefits of internet banking**

- **Convenience:** Unlike the traditional banking systems whereby customers have to be physically present to conduct transactions, internet banking channels are always available to customers at any time day or night. This helps customers to carry out transactions at convenient time and from anywhere with internet access.

- **Transaction speed/cost reduction:** Internet banking speed up transactions. It is quicker when compare to branch banking and ATMs. Internet banking is also less costly because cost of transportation to and from the bank is eliminated.
- **Effectiveness:** With internet banking there is no hurry for rushing to the bank for carrying out transactions. You can manipulate your account at any time. Customers can manage their money and accounts and investments much more swiftly. At the same time, it is easier to pay bills online, to receive statements, and to transfer money.
- **Efficiency:** Internet banking is efficient due to the fact that it allows free access, to manage and control all financial transactions without wasting much time.

#### **3.4.2 Drawbacks of internet banking**

Some of the drawbacks of internet banking listed by Basic (2009) are briefly listed here.

These drawbacks are based on customers' perspectives.

- **Security issue:** is seen as one of the major issues affecting the use of internet banking. In spite of many sophisticated encryption software that have been designed to protect accounts, there is always a possibility of hacking by smart elements in the cyber world. Hacker attacks, phishing, malware and other unauthorized activities are common on the net. Many customers still therefore worry about safety and security issues over internet.
- **Changes in banks websites:** Banks have to upgrade their websites by adding new features in unfamiliar places on their screen menus. In some cases, customers will probably need to re-enter their account details and search to locate the exact point of transactions.
- **Service issues:** Some special services offer to customers is not possible online. Comprehensive financial services, such as brokerage accounts and insurance

that traditional banks offer directly to customers cannot be offered online. Sometimes, traditional banks offer special services to loyal customers, such as preferred rates and investment advice at no extra charge, cases which require a customer's presence.

### **3.5 Other bank delivery channels**

Internet banking aside banks do offer some similar services to customers. These services help retail customer in several ways in their daily financial operations. From time to time human individuals are no longer convenient to have money in possession or/and check-books but look for more convenient ways of cashing money when in need (Saunders 2008). Although internet banking network channel helps to reduce cost of transactions, other forms of transactions may be required at a particular point of time and need.

#### **Point-of-sale (POS)**

The POS machine can be used almost everywhere globally for transaction and purchasing of goods and services. With availability of POS individuals do not necessary need to always be in possession of cash in order to buy things. At the point of sale, the merchant would prepare an invoice for the customer (which may be a cash register printout) or otherwise calculate the amount owed by the customer and provide options for the customer to make payment. After receiving payment, the merchant will also normally issue a receipt for the transaction. Usually the receipt is printed, but it is increasingly being dispensed electronically.

### **Smart and debit cards**

Smart and debit cards offer customers bonuses, convenience and quick access to cash. These cards can be used virtually anywhere that have ATMs and POS.

### **Overdraft and credits**

Overdraft and credits are different forms of borrowing for the banking systems. This channel of transactions also offers the privilege for payments of bills and mortgages. The bank permits customers to withdraw funds that they do not own, usually in small amounts. The basic differences between these two forms of borrowing is how they are secured and whether the money is lent out of a separate account.

### **Telephone banking**

Telephone banking permits customers to issue any cash transfers directly from one account to another in the same or a different bank. The transactions can either be with voice command or by telephone calls.

### **Automated teller machine (ATMs)**

Automatic teller machine does not require human bank employees and it is designed to enable customers to have access to their accounts 24-hours 7-days and enable them to withdraw money electronically. Customers also can carry out several other types of transactions like paying electricity bills, settling credit cards balances and making cash deposits.

## **3.6 Commercial banks in Nigeria**

Table 1 provides the list of Commercial banks in Nigeria. For the purpose of this study, these banks were listed to show the authenticity of data collection source from

respondents. Question number five (5) asked respondents to provide banks of operation and from the 21 commercial banks in Nigeria presently, respondents provided the names of their banks.

Table 1: List of commercial banks in Nigeria.

<b>1</b>	Access Bank PLC	<b>12</b>	Main Street Bank
<b>2</b>	Citibank Nigeria PLC	<b>13</b>	Skye Bank PLC
<b>3</b>	Diamond Bank PLC	<b>14</b>	Stanbic IBTC Bank Ltd.
<b>4</b>	Ecobank Nigeria PLC	<b>15</b>	Standard Chartered Bank Nig. Ltd.
<b>5</b>	Enterprise Bank	<b>16</b>	Sterling Bank PLC
<b>6</b>	Fidelity Bank	<b>17</b>	Union Bank of Nigeria PLC
<b>7</b>	First Bank of Nigeria PLC	<b>18</b>	United Bank for Africa PLC
<b>8</b>	First City Monument Bank PLC	<b>19</b>	Unity Bank PLC
<b>9</b>	Guarantee Trust Bank PLC	<b>20</b>	Wema Bank PLC
<b>10</b>	Heritage Banking company Ltd.	<b>21</b>	Zenith Bank PLC
<b>11</b>	Keystone Bank		

## **Chapter 4**

### **RESEARCH METHODOLOGY**

#### **4.1 Introduction**

This chapter presents the research methods used to complete this research work. It presents research design, data collection techniques, questionnaire design and data sampling techniques utilized for this research.

#### **4.2 Data collection techniques**

Data collection is an important component of any research. Inaccurate data collection can impact the results of any study and ultimately lead to invalid results.

There are difference kinds of data collection techniques such as Observations, interviews, questionnaires etc. Questionnaires were administered to collect data from customers. Questionnaire is a primary data collection method and it is associated with deductive research approach. It is a predefined, structured set of questions.

#### **4.3 Questionnaire design**

The questionnaire is divided into three sections:

The first section is main to collect respondent's general information; his/her attribute (contain data about the respondents' characteristics such as age, gender, education, etc.). The second section was designed to know respondents level of internet banking usability. The final section was designed to have respondents' view of internet banking. This section is on a Likert scale of 1-5, whereby, 1= strongly disagree and 5= strongly agree. There are total of 17 questions in the questionnaire.



#### **4.4 Data sampling technique**

This research was done within a period of one semester which was about 3-4 months. The research focuses on Nigerian bank customers; to investigate reasons to which they adopt or not adopt internet banking and why most of them are seemingly not using internet banking. Due to time frame, I was unable to travel to Nigeria to collect data. Therefore, I had to choose the best available alternate location to be used to carry out the survey i.e. Eastern Mediterranean University to have data reliability and accuracy. Almost all the Nigerian students at Eastern Mediterranean University operate with one or two Nigerian banks; consequently, using them for sample size was still considerably acceptable way of collecting data on a sample.

Out of 250 questionnaires administered, 167 were valid and usable. The valid questionnaires were analysed using SPSS 20.0 to perform at data reliability and regression analysis.

Table 2: Questions used for regression and their references

Items	Questions	References
11	Internet banking is convenient because it eliminates the risk of carrying cash.	Dilara, A. (2014)
12	My bank gives enough information about the benefit of internet banking.	Dilara, A. (2014)
13	I am satisfied with internet banking because I do not have to go to bank.	Dilara, A. (2014)
14	Internet Banking Transaction procedures are simple and straightforward.	Dilara, A. (2014)
15	It is not easy to use and understand the websites of banks	Dilara, A. (2014)
16	I have access to computer and internet to perform my transactions over the internet.	N/A (Self)
17	I am worried about the security of transactions	Dilara, A. (2014)

As shown in Table 2 above, question 12 was used to represent the “awareness” factor. For the perception of “Security”, questions 11 and 17 were used in regression analysis. Question 15 was used to represent “ease of use” factor. Meanwhile, questions number 14 and 16 were used to represent “accessibility” factor. For the dependent variable (customer satisfaction), question number 13 was used. This is given in the regression model as well.

## **Chapter 5**

### **DATA ANALYSIS AND DISCUSSIONS**

#### **5.1 Introduction**

This chapter presents results of the findings that include the respondents' demographic analysis and the regression model. The analysis was done using Statistical package for the Social Sciences (SPSS) version 20.0. Below are the results of the findings:

The demographic characteristics can be summarized as follows:

- 60.5% males and 39.5 females.
- 86.8% single and 13.2% married
- 62.9% aged 18-25 years, 36.5% aged 25-35 years and 0.6% aged 55-64 years.
- 61.7% undergraduate and 38.3 masters/phD.
- 44.9% have accounts with GTB, 22.2% with UBA, 19.8% with Zenith Bank, 3.6% with Oceanic Bank and 9.6% with other Banks.

Table 3: Demographic characteristics

Item	Frequency	Percent	Valid Percent	Cumulative Percent
<b><u>Gender</u></b>				
Male	101	60.5	60.5	60.5
Female	66	39.5	39.5	100.0
<b><u>Marital status</u></b>				
Single	145	86.8	86.8	86.8
Married	22	13.2	13.2	100.0
<b><u>Age</u></b>				
18-25	105	62.9	62.9	62.9
25-35	61	36.5	36.5	99.4
55-64	1	.6	.6	100.0
<b><u>Educational status</u></b>				
University	103	61.7	61.7	61.7
Masters/PhD	64	38.3	38.3	100.0
<b><u>Banks of operation</u></b>				
GTB	75	44.9	44.9	44.9
UBA	37	22.2	22.2	67.1
Zenith Bank	33	19.8	19.8	86.8
Oceanic Bank	6	3.6	3.6	90.4
Other	16	9.6	9.6	100.0

## 5.2 Regression analysis

Question 12 was used to represent the “awareness” factor. For the perception of “security”, questions 11 and 17 were used in regression analysis. Question 15 was used to represent “ease of use” factor. Meanwhile, questions number 14 and 16 were used to represent “accessibility” factor. For the dependent variable (customer satisfaction), question number 13 was used. This model has been estimated to examine the significance test for the four factors of internet banking observed here.

### Multiple regression model:

Here is the regression model been used, parameters have been defined also:

$$Y=A+\beta_1(X_1) +\beta_2(X_2) +\beta_3(X_3) +\beta_4(X_4) +E$$

Y=Dependent Variable, “Customer Satisfaction”

A=Intercept or constant value

$\beta_1$ =First Coefficient of the independent variable

X1=First independent variable, “Awareness factor”

$\beta_2$ =Second Coefficient of the independent variable

X2=Second independent variable, “Ease of use factor”

$\beta_3$ =Third Coefficient of the independent variable

X3=Third independent variable, “Accessibility factor”

$\beta_4$ =Fourth Coefficient of the independent variable

X4=Fourth independent variable, “Security factor”

E. represents “Standard Error”

### Multiple regression model results:

Table 4: Regression model summary

Multiple R = 0.629	R-squared = 0.541	Adjusted R = 0.531
Standard Error = 0.42961	F = 53.142	P < 0.001

Table 4 shows the results of model summary. The only distinction between R square (0.541) and the adjusted R square (0.531) is 0.01. This difference (0.01) show a positive sign. From this result, even if another factor of internet banking is added to it, there is not significant alteration in R square value.

Other percentage of the variance could be observed by some other factors. F-ratio of this model is as well significant statistically at 0.01 level.

Table 5: Coefficients analysis results

<b>Model</b>	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>	<b>t</b>	<b>Sig.</b>
(Constant)	.380	.255		1.538	.127
Awareness	.042	.053	.049	.853	.398
Ease of use	.167	.057	.128	3.214	.000
Accessibility	.149	.065	.143	2.481	.013
Security	.489	.072	.445	4.320	.045

In the initial stage of the model, t-ratios are given to see if parameters are statistically significant.

$$Y = 0.380 + 0.042 (\text{awareness}) + 0.314(\text{ease of use}) + 0.149 (\text{accessibility}) + 0.489(\text{awareness}) + 0.37$$

Table 5 reveals assessment of regression model coefficients with their t-ratios. As it is given in the results, t-value of awareness factor and probability is not statistically significant for customer satisfaction. There is no relationship between awareness factor and customer satisfaction. This means that customers having knowledge about internet

banking transactions are not statistically distinct from those customers who do not have knowledge in terms of their customer satisfaction. Therefore, Hypothesis H4 is invalid.

The result in table 5 revealed that ease of use, accessibility, and security variables of the t-values are bigger than 2. This means that we are 95 % sure that an important relationships exist among the three factors.

Ease of use, accessibility, and security factor explain 53 % of the variance in the dependent variable or customer satisfaction. The residual percentage of the variance can be clarified by three factors other than awareness factor. Additionally, F ratio (53.142) is statistically significant at 0.01 level.

Moreover table 5 shows the regression coefficients, together with their t-ratios and probability values. According to regression analysis results we can say that perceptions on ease of use, accessibility, and security factors are statistically significant and have a positive influence on customer satisfaction. Therefore, hypotheses H2, H3 and H4 were accepted while H1 was rejected.

## **Chapter 6**

### **CONCLUSION AND RECOMMENDATION**

#### **6.1 Summary of the study**

This research work investigated the level of internet banking adoption/usage in Nigeria. Internet banking has seemingly improved bank services to customers. However, banks need to improve their services in some key areas that stand as gaps or in relation to some factors preventing customers from using internet banking effectively. As stated earlier in the research objectives, several relevant articles, journal and books were gathered to form a comprehensive literature review. Four hypotheses were formulated (considered and chosen from previous similar studies) and regressed to analyse those factors affecting customers in negatively in relation to internet banking. Questionnaires were administered to Nigerian bank customers in order to compare and contrast the findings against the literature review and to accept or reject the hypotheses.

The results revealed that security is the major factor preventing customers from using internet banking. Other factors such as “ease of use, awareness and accessibility” were also examined and regressed. The results show that awareness is not a significant factor that could enhance internet banking user’s acceptance and usability and therefore would not result in customers’ satisfaction and adoption.

Therefore, Nigerian banks need to assure customers of their safety and security. Banks websites should also be designed as simple as possible to enable easy access.



## **6.2 Limitations of the study**

This research was done within a limited time and the survey was carried out within a specific location, specifically at Eastern Mediterranean University over one semester in 2015. Future study results of may be quite different due to data collection locations. Therefore, limitations of this study are the time frame and the data collection location.

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## **APPENDIX**

## **Appendix A: Questionnaire**

Dear respondent,

This is a research work being carried out by a masters students in the above mentioned institution. This research aimed to investigate factors affecting customers' adoption of internet banking in Nigeria. Your response will be highly favourable in contribution to the completion of this thesis. The questionnaire is confidential and will take you few minutes to complete it. Thanks.

### **Section A: Respondent's General Information**

#### **1-Gender?**

Male  Female

#### **2-Marital Status?**

Married  Single

#### **3-Educational Status?**

Primary Education

High School

University

Master/PhD

#### **4-Age range?**

18-24

25-35

36-44

45-54

55-64

65 above

#### **5-Which Bank do you operate with?**

Guarantee Trust Bank  United Bank for African  Zenith Bank

Oceanic Bank  Other..... (Please specify)

**Section B:**

**6-How often do you use internet banking services?**

- Everyday
- Once a week
- Twice a week
- Monthly
- Not sure

**7-What are your reasons for choosing internet banking service? Please select all that apply.**

- Convenience
- Eliminate time wasting
- 24 hour access to accounts
- Other..... (Please specify)

**8-Overall, how satisfied are you with online banking service?**

- Very Satisfied
- Satisfied
- Neutral
- Unsatisfied
- Very Unsatisfied

**9- Do you believe that the transactions you conduct online are secure?**

- Yes
- No
- I'm Not Sure

**10-Will you recommend others to adopt the use of internet banking service?**

- Yes
- No
- Maybe

**Section C:**

This section is designed to know your views on internet banking. Please indicate by ticking how strongly you agree or disagree with each question using the following scale.

**1 = Strongly Disagree**

**2 = Disagree**

**3 = Neutral**

**4 = Agree**

**5 = Strongly Agree**

		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>11</b>	Internet banking is convenient because it eliminates the risk of carrying cash.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>12</b>	My bank gives enough information about the benefits of internet banking.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>13</b>	I am satisfied with internet banking because I do not have to go to bank.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>14</b>	Internet banking transaction procedures are simple and straightforward.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>15</b>	It is not easy to use and understand the websites of banks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>16</b>	I have access to computer and internet to perform my transactions over the internet.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>17</b>	I am worried about the security of transactions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>