Bankers' Perception of Benefits, Risks and Technophobia Associated with Electronic Banking in Pakistan

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Abstract

The boom in the 3G and 4G internet subscribers in Pakistan is making businesses including financial institutions, such as banks, provide electronic service delivery channels to their customers. The perception of the bankers towards electronic banking plays a vital role as they convince the customers to adopt electronic banking. In order to find out bankers' perception of benefits, risks and technophobia associated with electronic banking, data was collected from 423 respondents using a questionnaire. The most weighted benefit of electronic banking was chosen as saving time whereas the most weighted risk was considered as the need for appropriate training. The respondents considered the introduction of smart phone applications as the best tool to reduce the technophobia associated with the use of electronic banking in Pakistan. In response to open-ended questions regarding the best tool to reduce technophobia, almost half of the respondents proposed training and awareness of bankers as well as customers. To a lesser extent the use of electronic banking by the bankers themselves, use of better IT security systems, providing incentives to the bankers and customers and assuring the bankers about their job security were mentioned by the respondents as a tool to reduce technophobia associated with the use of electronic banking in Pakistan.

Keywords: *Electronic banking, Technophobia, Bankers, Perception*

1. Introduction

Firms in Pakistan are increasingly relying on the internet to reach, serve and communicate with their customers due to the enormous growth in the number of internet and smartphone consumers in Pakistan. With an estimated 28 million 3G and 4G subscribers and 40 million broadband subscribers, businesses in Pakistan are increasingly going digital.

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In addition to other businesses, banks too are in the process of designing internet and smartphone applications to enable their customers to make financial transactions without visiting the bank. Enabling the customers to make financial transactions from anywhere using the internet is no more a competitive advantage, rather it has become a competitive necessity. All type of financial institutions are rapidly launching new payment and funds transfer services. These services are based on e-wallet accounts which operate on internet banking and mobile banking applications. During a period of last five years, there has been an increase in the number of electronic banking transactions from 235 million to 469.1 million (almost 100 percent). This rise in the number of transaction has resulted in a growth in value from Rupees 22.1 trillion to Rs35.8 trillion (68 percent)[2].

The benefit of electronic banking are numerous, both to the bank and its customers. On one hand, it provide customer with hassle free mechanism for accessing and operating their accounts anytime they want. On the other hand it reduces the customer flow in branches, increases customers' financial literacy and attracts new customers. By providing electronic banking services banks can offer higher rates due to the reduction in costs associated with serving the customers (Nath, Schrick & Parzinger, 2001).

The focus of this research is bankers' perception of electronic banking. In a developing country like Pakistan, the usual banking customers are not very familiar with the use of internet (Mas & Kumar, 2008). When the bankers try to convince them to use alternate delivery channels, they must inform the customers regarding all its benefits. Similarly the bankers must answer all their concerns regarding the risks associated with electronic banking. The perceptions of risks and benefits of bankers towards their own alternate service delivery channel is an important factor in perusing the customers to adopt this service channel.

A huge number of bankers consider that provision of electronic banking channel to customers in the digital economy is compulsory for existence and banks not providing this

[2] Annual Performance Review 2014 - 2015. Rep. State Bank of Pakistan, 31 Oct. 2015. Web. 23 Apr. 2016.

channel would lose customers to the competitors who offer electronic banking (Nath et al. 2001). Electronic banking is a solution to many of the intrinsic disadvantages of traditional branch banking. The benefits of adopting the electronic banking are cost cutting, an improved reputation of the bank and the attraction of new to bank customers (Jayawardhena & Foley, 2000). Security, transactions speed, information accuracy, user-friendly interface, involvement of the user, and accessibility are the major quality attributes in the perceived usefulness of electronic banking (Liao & Cheung, 2002). Concern for privacy, security and accessibility play a key role in determining the users' adoption of electronic banking channels (Poon, 2007).

Customers that have a positive perceived creditability of electronic banking may hold back in adopting electronic banking if they are afraid of using computers or technology (Agha & Saeed, 2015). The objective of this research is to extend the work of Kaleem and Ahmad (2008) in which respondents participated from various banks located in the city of Lahore. The purpose of the study is to find the bankers' perceptions towards benefits and risks of electronic banking in Pakistan. The study also focuses on the methods to reduce the technophobia associated with electronic banking in Pakistan.

2. Literature Review

Due to the increasing number of internet and smartphone users, firms are increasingly adopting electronic service distribution channels to enhance existing physical infrastructure for delivering products and services. However in case of banks, the primary potential value of electronic banking is the retention of high value customers rather than cost saving or incremental sales (Hitt, Frei & Harker, 1999). Hence, electronic banking has emerged as a convenient and flexible way of banking that has numerous benefits linked to financial transactions. More recently, Electronic banking is progressively becoming a "need to have" than a "nice to have" service (Singhal & Padhmanabhan, 2009).

2.1. Benefits of electronic banking

Due to continuous effort of financial institutions, Electronic banking interfaces are becoming more user friendly over time so customers are now less concerned about

difficulty in using them and are becoming increasingly competent in the use of electronic banking (Cheng, Lam & Yeung, 2006) The extremely importance factors that driver banks towards the adoption of electronic banking are cost reduction, enhanced ability to deal with customers and competitive forces (Gikandi & Bloor, 2010) Similarly Bankers perceive the introduction of internet banking as a strategic prospect.. Internet banking is considered more positively by the banks that offer it compared to the banks that do not (Nath et al. 2001).

Similarly, the key motives for bank customers shifting towards internet banking were found to be the convenience to perform banking transactions at their own convenience i.e. performing transactions anywhere they want, anytime they want and quickly. (Yiu, Grant & Edgar, 2007). Sohail and Shanmugham (2003) argue that accessibility of the internet, attitude towards change, awareness, the costs of computer and Internet access, security concerns, trust in one's bank, ease of use and convenience are the chief aspects influencing the acceptance of Internet banking services offered in Malaysia.

2.2. Risks of electronic banking

However, banks need not to be completely electronic banks. Even though the convenience level is believed to be lowermost in the case of branch banking, yet branch banking is also the only channel that can provide all banking services. Conventional bank branches that have cashiers and customer service officers are still vital since this channel is needed for the first time interaction, relationship building with the customer and complicated transactions (Wan, Luke & Chow, 2005).

With the adoption of internet banking, banks are exposed to new risks requiring new risk management strategies and risks related with traditional banking were enhanced in the presence of e-banking (Gikandi & Bloor, 2010) The slow adoption of e-banking is also due to the lack of trained staff in the field of online banking, especially related to management, development and application of e-banking (Alam, Magboul & Raman, 2010).

Laforet and Li (2005) have found that the most important factor that motivated Chinese consumer towards adoption of internet banking was the problem of security. The commitment of the customers to keep using electronic banking in future relies on perceived trust (Mukherjee & Nath, 2003). Hence, banks could convince their customers about the safety of the electronic banking to perform transactions once they have improved the security features of their systems. Banks can shift the perceptions of their customers by focusing on the positive safety features in their marketing campaigns (Cheng et al. 2006)

2.3. Technophobia associated with electronic banking

Technological innovations involve significant learning effort on the part of users and, therefore, needs the customers to have the capability and readiness to study and advance knowledge related to technology (Saaksjarvi, 2003) and that insufficient provision of relevant information or misinformation will demotivate the adoption process of innovation (Wilton & Pessemier, 1981). Sathye (1999) has argued that for acceptance of internet banking, it is essential that banks and financial institutions aware their customers of the availability of the service and inform the customer regarding how it is different and value added as compared to the other methods of performing banking transactions.

The key characteristics generating opposition and resulting in ultimate rejection are lack of a PC, ATM use in routine, lack of information usage of own device, lack of an official receipt, Internet surroundings, lack of bar code reader, changeable passwords and complicated processes at the monitor seem to be (Kuisma, Laukkanen & Hiltunen, 2007). Technophobia causes customers to be less open to e-banking products, experience uneasiness when using them and ignore the benefits offered by e-banking. To reduce the technophobia, the role of the bank should be to increase consumers' knowledge of security, banking technology, and law that protect consumers (Taasim & Yusoff, 2015). This is because Information available on internet banking, and its security and privacy have an effect on the adoption of internet banking (Pikkarainen, Pikkarainen, Karjaluoto & Pahnila, 2004).

Hence, inorder to control customer-perceived resistance to e-banking, various communication strategies should be adopted. The customer that don't have any resistance towards the adoption of electronic banking, already have a reasonably positive attitude towards online banking so they need active one-to-one marketing sessions in the branch of the bank to convince customers of the benefits and comparative advantage of Internet banking over conventional banking. As resistance goes down in this set of customers, banks could offer incentives and promotions to attract these customers to try out internet banking (Laukkanen, Sinkkonen & Laukkanen, 2009).

To reduce the technophobia towards electronic banking, the banks should design websites that are user friendly i.e. the websites should be easy to access and use and should provide a sense of security when making financial transactions (Agha & Saeed, 2015).

3. Methodology

3.1. Sample of study

In the present study, the data was collected using a questionnaire. The questionnaire was adopted from the previous research done by Kaleem and Ahmad (2008) conducted in the city of Lahore. The questionnaire was modified to include the bankers' respondents from across the country.

In addition to bankers' perceptions of risks and benefits, questions regarding how to overcome the technophobia of bankers towards electronic banking were added to the questionnaire. The respondents were asked as to which of the mentioned factors could overcome the technophobia of bankers towards electronic banking in Pakistan. These questions added to the questionnaire regarding technophobia had a high level of internal consistency, as determined by a Cronbach's alpha of 0.870.

3.2. Data collection

The questionnaire was distributed online through personal contacts and bankers' groups on different social media platforms. An open-ended question was asked from the

respondents regarding the best way to overcome the technophobia of bankers' associated with electronic banking in Pakistan.

3.3 Method of analysis

All the data obtained from the questionnaire, except the one open-ended question, was analyzed using mean score analysis, frequency analysis and one sample t-test. All the analysis was conducted in SPSS.

4. Results and discussion

4.1. Profile of Respondents

The demographics of the respondents show that a majority of the respondents were from the Punjab province. 67% of the respondents had experience between 1-5 years and 67% respondents were officers. Furthermore, 56% respondents held a master's degree and 58% respondents were from private banks.

4.2. Descriptive Statistics

4.2.1. Descriptive Statistics for Bankers' perception of the benefits of electronic banking

The results showed that saving time, minimizing the risk associated with carrying cash and facilitating quick responses were the highest weighted benefits with the mean scores of 4.83, 4.62 and 4.60. Moreover the least agreed benefit of the electronic banking was considered to be the reduction in HR requirements with a mean score of 4.08.

4.2.2. Descriptive Statistics for Bankers' perception of the risks of electronic banking

The results provided us with the bankers' perception of risks associated with the use of electronic banking in Pakistan. The need for appropriate training and chance of fraud were considered the highest risks with mean scores of 4.21 and 4.05 respectively. On the other hand, charging higher service charges was selected as the least risk associated with a mean score of 3.23.

4.2.3. Descriptive Statistics for Bankers' perception of methods to reduce technophobia towards electronic banking

The respondents chose introduction of smartphone e-banking applications as the best way to reduce technophobia among the bankers with a mean score of 4.64, followed by motivating bankers to use electronic banking themselves and informing them about the security features of electronic banking. Provision of monetary incentives with the sale of electronic banking was the least agreed method, with a mean score of 4.36, to reduce the technophobia among the bankers in Pakistan.

4.3. Association of responses with respondents' profile

The analysis was further continued to find associations of the risks, benefits and technophobia with the profile of the bankers i.e. qualification, experience, type of the bank they work for and their position in the bank. For this purpose, the means of the data were analyzed using SPSS. It was evident from the analysis that saving time was the most preferred benefit among all the respondents except from the respondents having professional degrees, such as ACCA and CFA, which considered facilitating quick responses and minimizing the risk of carrying cash the most preferred benefits. Due to an increase in the economic activity in Pakistan, people are using banks more for financial transactions. As a result the number of customer present at the branch increases resulting in long quos and more transaction time. On the other hand, the reduction in HR requirements was considered to be the least desired benefits among all the respondents. However, the bankers with a bachelor's degree also considered the increase in the operational efficiency to be the least desired benefit. Here, again bankers with professional degrees considered minimization in the cost of transactions and inconvenience to be the least desired benefit.

4.4. Highest and lowest expected risks of electronic banking in terms of mean scores

The need for training and expertise was considered to be the most expected risk by all the respondents. Unless customers have some knowledge of banking terms, they can't

use electronic banking properly. Bankers with professional degrees considered the chances of data loss to be the most expected risk associated with the usage of electronic banking in Pakistan. On the contrary, charging higher service charges with considered as the less expected risk by all the groups of respondents except bankers with an MPhil degree and bankers from public bank, which considered less operation reliability of electronic banking to be the least expected risk associated with the use of electronic banking in Pakistan.

4.5. Most and least desired method of reducing technophobia associated with electronic banking in terms of mean scores

The introduction of smartphone apps was considered the most desired method to reduce technophobia associated with the use of electronic banking in Pakistan. However, bankers with more than 10 years of experience considered and executives considered motivating bankers to use electronic banking and provision of information about the security features of electronic banking to be the most desired method to reduced technophobia. Responders with professional degrees considered provision of information to the bankers, regarding usefulness of electronic banking to the customer, to be the most desired method to reduced technophobia.

On the other hand, provision of monetary incentives to the bankers for sales of electronic banking services was considered to be the least desired method to reduce technophobia by all groups of the respondents. However, respondents with professional degrees considered introduction of smartphone apps to be the least desired method to reduce technophobia.

4.6. Results of One-sample T-test

All the respondents were requested to give their responses on a five point Likert scale (1=strongly disagree, 5=strongly agree). Using the one sample t test, all the statements were tested against an assumed average of 4 (4=agree).

Table 4.1: Results of one sample t-test for bankers' perception of the benefits of electronic banking

	Test Value = 4					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Electronic banking minimizes the cost of transactions	13.426	422	.000	.537	.46	.62
Electronic banking saves time	35.321	422	.000	.832	.79	.88
Electronic banking minimizes inconvenience	13.314	422	.000	.506	.43	.58
Electronic banking provides up-to-date information	16.097	422	.000	.579	.51	.65
Electronic banking increases operational efficiency	13.064	422	.000	.485	.41	.56
Electronic banking reduces HR requirements	1.430	422	.153	.076	-.03	.18
Electronic banking facilitates quick responses	18.145	422	.000	.600	.54	.67
Electronic banking improves service quality	12.941	422	.000	.501	.43	.58
Electronic banking minimizes the risk of carrying cash	16.365	422	.000	.619	.54	.69

As shown in table 4.1, all the mean scores of the benefits were statistically significantly higher than the mean score of 4.0 with the benefit of saving time being the highest difference of .832 and reduction in HR requirements the lowest difference of .076. Moreover, the p-value for reduction in HR requirements is .153 so we can conclude that electronic banking doesn't reduce the HR requirements.

Table 4.2: Results of one sample t test for bankers' perception of risks associated with electronic banking

	Test Value = 4					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Electronic banking has the chance of data loss	-6.009	422	.000	-.340	-.45	-.23
Electronic banking has the chance of fraud	1.093	422	.275	.050	-.04	.14
Electronic banking has the chance of government access	-1.456	422	.146	-.076	-.18	.03
Electronic banking lacks information security	-8.918	422	.000	-.501	-.61	-.39
Electronic banking charge a high cost for services	-11.916	422	.000	-.771	-.90	-.64
Electronic banking has many legal and security issues	-7.549	422	.000	-.404	-.51	-.30
Electronic banking needs expertise and training	4.117	422	.000	.210	.11	.31
Electronic banking has inadequate information on the website	-7.930	422	.000	-.449	-.56	-.34
Electronic banking has less operational reliability	-10.764	422	.000	-.652	-.77	-.53

As evident from the table 4.2, all the risks are statistically significant with the exception of chance of fraud and the chance of government access with a P-value of .275 and .146 respectively.

Table 4.3: Results of one sample t test for bankers' perception of methods to reduce technophobia associated with electronic banking

	Test Value = 4					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
By informing bankers about the benefits of electronic banking to the bank	13.067	422	.000	.470	.40	.54
By informing bankers about the benefits of electronic banking to the customers	16.173	422	.000	.530	.47	.59
By simplifying the subscription and use of electronic banking	15.110	422	.000	.515	.45	.58
By motivating bankers to use electronic banking themselves	17.577	422	.000	.586	.52	.65
By informing bankers about the security features of the electronic banking	17.935	422	.000	.560	.50	.62
By making all the product information readily available to bankers	16.146	422	.000	.537	.47	.60
By providing monetary incentives to bankers on sales of electronic banking services	7.970	422	.000	.362	.27	.45
By informing bankers about the reduction in customer flow to the branch resulting due to use of electronic banking	15.667	422	.000	.548	.48	.62
By introducing smartphones apps to access electronic banking	20.233	422	.000	.638	.58	.70

All the methods to reduce technophobia were found to be statistically significant, with the introduction of smartphones apps being the highest mean difference of .638 and provision of monetary incentives to the bankers with the lowest mean difference of .362.

4.7. Responses to open ended question regarding the best method to reduce bankers' technophobia towards electronic banking Pakistan

Out of 423 respondents, only 130 (31%) responded to the open-ended question at the end of the questionnaire. Out of these, almost half of the respondents proposed training and awareness of the bankers as a best tool to reduce the technophobia associated with the use of electronic banking. Mostly the respondents focused on the need for frequent trainings and awareness sessions.

About 20% of the respondents emphasized on the use of electronic banking channel by the bankers themselves and the improvement of the security for electronic banking services to reduce the technophobia associated with the use of electronic banking. One of the respondent wrote "Electronic Banking user interface must be simplified and must not be made complicated in the name of security. Many Customers don't feel comfortable when they see "Red Highlighted" alarming instructions about security. It must be made sophisticatedly simplified yet secured". Similarly another respondent said "Mostly senior bankers, who joined banking sector before IT systems, are not used to the electronic banking channels, it would be better if we simplify the interfaces for them".

Another respondent said "Technophobia among the bankers can be reduced by informing bankers about the reduction in customer flow to the branch, guiding them on the benefits and use of electronic banking services and giving them incentives on sales of electronic banking services".

To a lesser extent the use of electronic banking by the bankers themselves, use of better IT security systems, providing incentives to the bankers and customers and assuring the bankers about their job security were mentioned by the respondents as a tool to reduce technophobia among the bankers. A few of the respondents proposed to include the

subjects related to electronic banking in the relevant courses being taught at university level in Pakistan.

5. Conclusion

423 responses were collected from bankers working in various private and public banks. The qualification and experience of the bankers varied from bachelors to masters and from officers to executive level. Saving time and minimizing the risks associated with carrying cash was considered as the highest weighted benefit of the electronic banking whereas the need for appropriate training and chances of fraud were considered to be the highest weighted risks by the respondents as evident from the analysis. The most appropriate way to reduce bankers' technophobia was considered as the introduction of smartphones apps. As opposed to accessing electronic banking on a computer, these apps provide one tap access to mobile banking that reduce the number of steps required in accessing the same through a computer. However the benefits and risks associated with the use of electronic banking apps require further research. Like any other study, this study is also not without limitations. The first limitation of the study is that responses were collected electronically, i.e. responses were collected only from the bankers that already have access to the internet and social media. No paper questionnaire was made and filled physically. Another limitation of the study is that, although, the results suggest that technophobia can be reduced by the introduction of smartphone applications to access electronic banking, however it doesn't focuses on the risks and benefits associated with the use of smartphone applications.

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