

Determinants of E-Banking in Nepal

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Abstract

This study tries to examine the determinants of e-banking in Nepal. Descriptive and causal research design was used in this study. Primary cross-section data were collected. Non-random sampling method was applied in this study. One hundred structured questionnaires were administered to respondents to gather data. This research confirmed that convenience, time savings, security and communication are the determinants of e-banking in Nepal.

Keywords: *e-banking, Convenience, Security, Kathmandu City*

Introduction

Financial services industry over time has opened to historic transformation that can be termed as e-developments which is advancing rapidly in all areas of financial intermediation and financial markets such as e-finance, e-money, electronic banking (e-banking), e-brokering, e-insurance, e-exchanges, and even e-supervision. The new information technology is turning into the most important factor in the future development of banking, influencing banks' marketing and business strategies. In recent years, the adoption of e-banking began to occur quite extensively as a channel of distribution for financial services due to rapid advances in IT and intensive competitive banking markets (Dube, Chitura & Runyowa, 2009; Mahdi & Mehrdad, 2010). The driving forces behind the rapid transformation of banks are influential changes in the economic environment includes among others innovations in information technology, innovations in financial products, liberalization and consolidation of financial markets, deregulation of financial intermediation. These factors make it complicated to design a bank's strategy, which process is threatened by unforeseen developments and changes in the economic environment and therefore, strategies must be flexible to adjust to these changes. The e-banking is transforming the banking and financial industry in terms of the nature of core products /services and the way these are packaged, proposed, delivered and consumed. It is an invaluable and powerful tool driving development, supporting growth, promoting innovation and enhancing competitiveness (Gupta, 2008; Kamel, 2005). Banks and other businesses alike are turning to IT to improve business efficiency, service quality and attract new customers (Kannabiran & Narayan, 2005).

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E-banking is the term used for new age banking system. E-banking is also called online banking and it is an outgrowth of PC banking. E-banking uses the internet as the delivery channel by which to conduct banking activity, for example, transferring funds, paying bills, viewing checking and savings account balances, paying mortgages and purchasing financial instruments and certificates of deposits (Khan, & Mahapatra, 2009). Electronic banking has experienced explosive growth and has transformed traditional practices in banking (Gonzalez, Dentiste & Rhonda, 2008). Christopher, Mike, Visit and Amy (2006) argue e-banking has become an important channel to sell the products and services and is perceived to be necessity in order to stay profitable in successful. There is a growing interest in understanding the users' experience (Pyun, Scruggs, & Nam, 2002) as e-banking is observed to be a larger concept than user satisfaction. From this perspective, assessing the user experience is essential for many technology products and services (Salehi, Mansouri, & Azary, 2008). Customers have started perceiving the services of bank through internet as a prime attractive feature than any other prime product features of the bank. Customers have started evaluating the banks based on the convenience and comforts it provides to them.

The concept of e-banking is a delivery channel for banking services. Banks have used electronic channels for years to communicate and transact business with both domestic and international corporate customers. With the development of the Internet and the Worldwide Web (WWW) in the latter half of the 1990s, banks are increasingly using electronic channels for receiving instructions and delivering their products and services to their customers. This form of banking is generally referred to as e-banking or Internet banking, although the range of products and services provided by banks over the electronic channel vary widely in content, capability and sophistication. E-banking is defined as the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels. The definition of e-banking varies amongst researches partially because electronic banking refers to several types of services through which bank customers can request information and carry out most retail banking services via computer, television or mobile phone (Daniel, 1999; Sathye, 1999). Salehi et al. (2008) describes e-banking as an electronic connection between bank and customer in order to prepare, manage and control financial transactions. Electronic banking can also be defined as a variety of following platforms: (i) Internet banking (or online banking), (ii) Telephone banking, (iii) TV-based banking, (iv) Mobile phone banking, and e-banking (or offline banking).

E-banking includes the systems that enable financial institution customers, individuals or businesses, to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the Internet or mobile phone. Customers access e-banking services using an intelligent electronic device, such as a personal computer (PC), personal digital assistant (PDA), automated teller machine (ATM), kiosk, or Touch Tone telephone. While some literature restricts the use of the term to internet banking (Daniel, 1999), elsewhere the term is limited to retail banking (Aladwani, 2001) or both retail and corporate banking (Simpson 2002). The common definition for ebanking, and the one used in this paper, comes from the Basel Committee on Banking Supervision (1998), "e-banking

refers to the provision of retail and small value banking products and services through electronic channels. Such products and services can include deposit-taking, lending, account management, the provision of financial advice, electronic bill payment, and the provision of other electronic payment product and services such as electronic money”.

Thus, going by the findings of most studies, we can argue that the literature on the impact of e-banking is inconclusive especially in developing economies and serve as an open ground for more research in the area of e-banking.

This study is related to acknowledge the current prospects and challenges of ebanking in Nepal. From the introduction of ebanking and its prospects the current state of ebanking seems quite deprived of technical and physical aspects in Nepal. Hence, this study is administered to ascertain the relative challenges and problems in the field of internet banking. The study also provides the strategic measure for flourishing of ebanking and innovative approach for making ebanking access beyond the social, economic and geographic barriers.

The main purpose of the study is to identify the current position of Nepalese e-banking system. From this study one can conclude in what pace Nepalese banking is drifting towards modern Internet banking which is experiencing strong and sustained growth worldwide. This study might be valuable assets for Nepalese banking clients and bank itself to understand how a large sophisticated and highly competitive internet banking market would be. Research questions of the study was as explained,

- Is convenience an important factor for e-banking in Nepal?
- Is time savings an important factor for e-banking in Nepal?
- Is security an important factor for e-banking in Nepal?
- Is Communication an important factor for e-banking in Nepal?

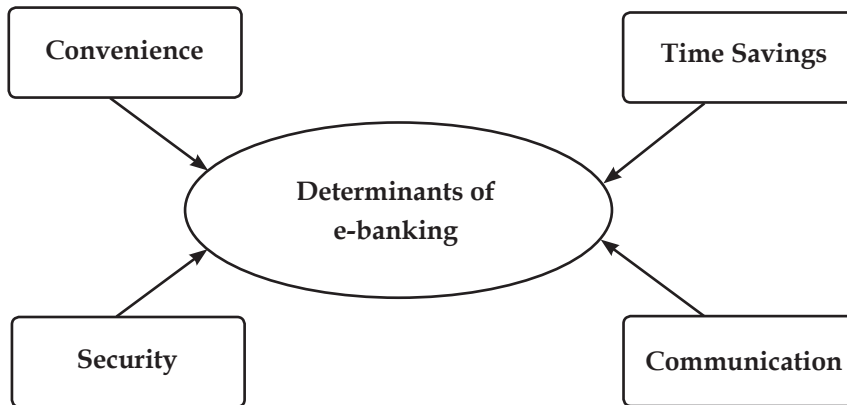
Major objectives of the study were to examine the determinants of e-banking in Nepal. Following research objectives were set in this research as,

- To examine importance of convenience factor for e-banking in Nepal.
- To measure importance of time savings factor for e-banking in Nepal.
- To analyze importance of security factor for e-banking in Nepal.
- To study importance of communication factor for e-banking in Nepal.

Research Framework

Figure 1 shows the research framework for determinants for e-banking in Nepal.

Figure 1: Research Framework



Development of Hypothesis

H1: Convenience is an important factor for e-banking in Nepal.

H2: Time savings is an important factor for e-banking in Nepal.

H3: Security is an important factor for e-banking in Nepal.

H4: Communication is an important factor for e-banking in Nepal.

Research Methods

A descriptive and causal research design was considered the most suitable approach in view of the nature of the problem being investigated. Primary cross-section data were collected. A total of 100 questionnaires were non-randomly administered to respondents who were subjected to non-random sampling. The study has been conducted in different areas of Kathmandu city. A structured questionnaire adapted and modified was used as the main data gathering instrument. Collected feedback through questionnaire has been subjected to Likert five point scale where agree/disagree. The respondents were asked to which extent they strongly disagree (1) to strongly agree (5).

Descriptive Statistics tools (Mean and Standard deviation) were used for this study. The mean is the average of the numbers: a calculated "central" value of a set of numbers. It is easy to calculate: Just add up all the numbers, then divide by how many numbers there are. The standard deviation is a mathematical formula for the average distance from the average. One sample T-test is used for hypothesis testing. A one-sample test, also known as a goodness of fit test, shows whether the collected data is useful in making a prediction about the population. Statistical Package for Social Sciences (SPSS) version 20 and Excel 2007 was used as the statistical analysis tool. This study is limited under the prospects of area limitations, and firm limitations. The area of this study is limited to the clients of different banks using internet banking. The research is limited only in Kathmandu City in Nepal and it is not possible to reach physically for collecting data. The research is limited to the respondents who are using mostly e-banking and ATM.

Sixty five percent of the respondents were male and 35 percent of the respondents were female. Most of the ebanking users in Nepal fall under the age group of 25-35. The reason might be the majority of respondent were graduate students seems in greater prone to ebanking for safe transfer of fund and processing. Majority of the ebanking users in Nepal are from student the reason might be they have a good knowledge about internet, banking transaction and easy processing. Majority of the ebanking user in Nepal are the people of income group below Rs. 30,000. The reason behind this might be the usage of internet by most of the youngster who are in the stage of developing career on the way.

Results and Discussion

Descriptive Statistics of e-banking

The importance of convenient, time savings, security and communication factors were explained in Table 1.

Table 1: Descriptive statistics of e-banking

Statements	Mean	Std. Deviation
Convenience	4.13	0.681
Time Savings	4.12	0.995
Security	4.03	0.765
Communication	3.97	0.809

Table 1 show convenience, time savings, security and communication factors are important factors for e-banking in Nepal.

Hypothesis Testing

Hypothesis testing is done in Table 1. Proposed important factors (Convenience, time savings, security and communication) were tested empirically.

Table 2: One Sample t-test

Statements	t	Sig.
Convenience	6.45	0.00
Time Savings	8.43	0.00
Security	4.56	0.00
Communication	4.78	0.00

Table 2 highlights t-value of convenience, time savings, security and communication are significant at 5 percent level of significance. H1, H2, H3 and H4 were accepted. So, it can be viewed as convenience, time savings, security and communication are the major factors of acceptance of e-banking in Nepal.

Conclusion

Major objectives of the study were to examine the determinants of e-banking in Nepal. Convenience, time savings, security and communication are the major factors for e-banking in Nepal. Major stake of e-banking is graduate students so banks should make marketing strategy to generate value to this segment.

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