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ELECTRONIC BANKING INNOVATIONS AND SELECTED BANKS PERFORMANCE IN NIGERIA

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ABSTRACT

In the past few years, Nigerian banks have embraced the global trend of digitalization in banking operations. Thus, after the consolidation and recapitalization exercises, many banks have strengthened and streamlined their facilities, tailored their services as well as automated their operations. In the heat of competition, banks are now adding to the stock of e-banking in order to maintain a competitive edge over their competitors. However, despite the rapid development in electronic banking innovations, it is not clear whether e-banking innovations have impacted positively and significantly on banks' performance in Nigeria. The main objective of this paper therefore is to estimate the impact of e-banking innovations (ATM transactions, mobile banking transactions, and point of sales transactions) on the performance of six selected banks in Nigeria. The study adopts a SURE model in the quantitative analysis of six selected old and new generation banks. The results indicate that automated teller machine transactions, point of sale transactions, mobile banking transactions are major e-banking innovations that contribute to old and new banks' performance in Nigeria. The study therefore concludes that the selected banks and other banks should intensify efforts to increase their asset base and continue to invest in e-banking innovations in order keep preforming well and also remain profitable. The study also calls for efficient management and utilization of funds to train and educate bank workers and general public regularly on how to deploy and use e-banking channels and other related technological innovations respectively.

Contribution/Originality: This study is among the first in Nigeria to estimate the impact of e-banking innovations (ATM transactions, mobile banking transactions, and point of sales transactions) on the performance of six selected banks in Nigeria since after the consolidation and recapitalization exercise. Unlike other similar studies, the study adopts a SURE model in the quantitative analysis of six selected old and new generation banks.

1. BACKGROUND AND MOTIVATION

Globalization, technological innovations and advanced development in different economies' financial system especially in this 21st century have really changed the dynamics of financial transactions globally (Johnnson, 2005). According to Oyewole *et al.* (2013) explosive growth in ICTs have removed the narrowed digital divide and turned business sphere into an electronic world (e-world). Nigerian banks are no exception as banks in Nigeria, especially after the consolidation and recapitalization exercises, have strengthened and streamlined their facilities, tailored their services as well as automated their operations in line with those linked with account Balances, account statement, fixed deposit and check statements. Payment include those associated with credit and debit cards, funds transfers, payments of utility bills and direct money payments. Finally, customer download account information, their profile, bank guidelines and bank annual reports and statement of accounts.

Statistics indicate that online shopping alone in Nigeria through banks is estimated at N62 billion in 2011 and by 2014 this has reached N150 billion which is trending in line with the rate of internet penetration estimated at 12.5 million users and in this segment group the affluent and the youth make up the major adopters (Onwuegbuchi, 2007).

On the customer end however, the story is not the same. A report by the National Space Research and Development Agency showed that only about 21 Percent of Nigerians out of 170 million actively make use of the internet, putting internet service point in the country at 885,469. KPMG review for 2013 put value of daily electronic funds transfers in Nigeria at N80 billion, number of ATM deployed at 11,700, number of cards issued at 26 million and number of ATM deployed at 117,000 numbers of cards issues at 26 million and number of POS terminals at 170000 (KPMG, 2013).

Nigeria has adopted several reforms to reposition her financial sector and improve banking performance. These policies ranges from financial liberalization, capitalization and consolidation, electronic banking, cashless policy, non –interest banking, and most recently Bank Verification Number to stabilize the financial system and eliminate fraud. These Financial sector reforms and development have played a vital role in promoting bank performance in Nigeria through electronic banking. Electronic banking development emanates with changes in the form of innovations.

Figure 1 depicts stylized facts on trend performance of the electronic payment channels in Nigeria. As depicted in the figure, value of ATM cash dispensing and transactions rose from N63.2 billion in 2006 to N399.7 billion in 2008 and further increased to N548.60 billion in 2009. The value of ATMs fell sharply to N399.71 billion in 2010 but thereafter rose rapidly N1, 561.74 billion in 2011. The value of ATMs further increased from N1, 984.66 billion in 2012 to N3, 679.88 billion in 2014.

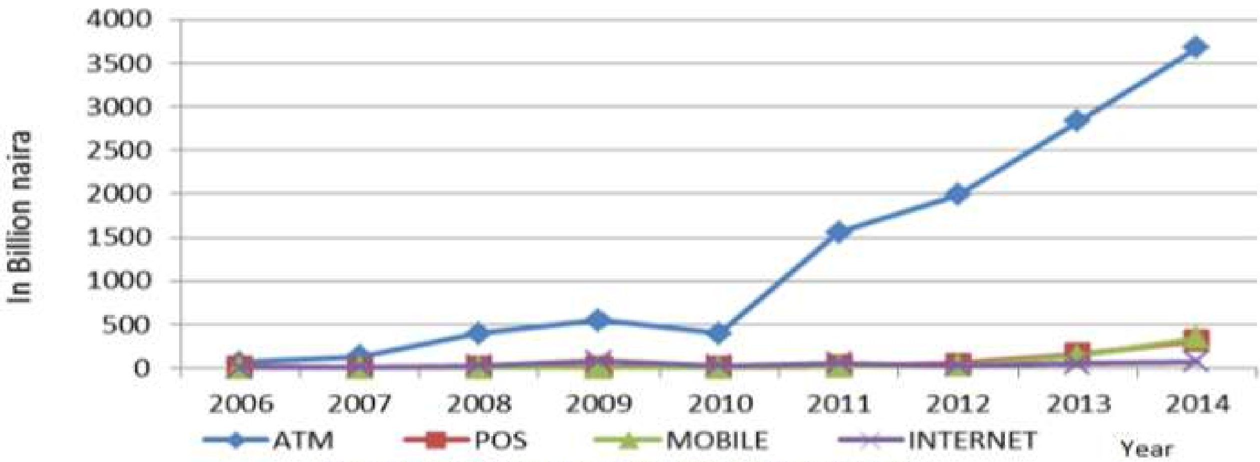

Figure-1. Performance of E-payment channels in Nigeria, 2006-2014

Source: CBN (2015) and Researcher's computation, (2015)

The value of POS transactions declined from N20.2 billion in 2006 to N6.4 billion in 2007. The value of POS thereafter increased rapidly to N16.1 billion in 2008 but fell again to N11.03 billion in 2009. The value of POS thereafter increased from N12.72 billion in 2010 to N48.01 billion in 2012. The value of POS then increased rapidly from N 161.02 billion in 2013 to N312.07 billion in 2014 (CBN, 2015).

Statistics in figure 1 further showed that the value of mobile payments increased consistently from N0.10 billion in 2006 to N1.27 billion in 2009 and increased further to N18.98 billion in 2011. The value of mobile transaction increased further from 142.80 billion in 2013 to N346.47 billion in 2014. The increase in the use of mobile payment system was due to the increase in the number of banks offering the services and increased public