

Advantages and Barriers of E-Banking in Iran

Farshad Sameni Kievani, Mohsen Khodadadi, Mohammad Jouzbarkand

Dept. accounting, Islamic Azad University, Roudsar and Amlash Branch, Roudsar, Iran
farshadsameni@yahoo.com

Abstract: In recent years, e-commerce has more and more become a necessary factor of business strategy and a strong shock for economic development. The goal of this study is to examine e-banking in Iran and propose strategies to utilize e-commerce into traditional retail banking services. New electronic systems and especially the "Internet business development in the last century led to fundamental are changed how cultural exchanges, economic and social communities. Internet has changed the dimensions of competition in the retail banking sector. In this paper is examining theoretical analysis on electronic money, electronic banking and its history, etc and also empirically tests some advantages and barriers to expanse of adoption of e-banking in Iran by the survey questionnaire. However, the research shows that the Iranian customers have not enough knowledge and trust with relation to the e-banking, the consequences of the research indicates that e-banking services have several advantages for the banks' customers in Iran.

[Sameni F, Khodadadi M, Jouzbarkand M. **Advantages and Barriers of E-Banking in Iran.** *Nat Sci* 2013;11(5):67-70]. (ISSN: 1545-0740). <http://www.sciencepub.net/nature>. 9

Keywords: Internet, electronic banking, Electron, Likert Scale, electronic commerce and Iran

1. Introduction

In recent years, information technology (IT) is changing into the most important factor in the future development of banking, influencing banks' marketing and business strategies. The admission of e-banking began to occur completely covering a large area as a channel of distribution for financial services due to rapid advances in IT and intensive competitive banking markets. A very effective banking industry is important in every country and can have a meaningful affect in supporting economic development through efficient financial services.

E-banking involves consumers using the Internet to access their bank account and to undertake banking transactions. At the basic level, Internet banking can mean the setting up of a web page by a bank to give information about its products and services. At an advanced level, it involves provision of facilities such as accessing accounts, transferring funds, and buying financial products or services online.

In the 1990s, banks realized that the rising popularity of the World Wide Web gave them an added opportunity to advertise their services. Initially, they used the Web as another brochure, without interaction with the customer. Early sites featured pictures of the bank's officers or buildings, and provided customers with maps of branches and ATM locations, phone numbers to call for further information and simple listings of products.

In Iran banking industry needs to change, both at the practical level and at the educational level to achieve economic development. This change will include moving from traditional banking to electronic

banking. Despite this growth of IT worldwide, Iranian banks continue to manage most of their banking transactions using traditional methods. The research analyzes the reasons for the lack of such technology in developing countries such as Iran. The goal of the study is to observe the advantages of e-banking in Iran.

2. MATERIALS AND METHODS

According to the above literature e-banking caused so many advantages, so the research questions are as below:

Q1: Whether the use of electronic banking services it would reduce Opportunity cost of lost of Iranian banks customers?

Q2: Does lack of enough knowledge and trust about electronic banking has reduced to use of electronic banking?

Q3: Do Education leads to increase in using electronic banking among the banks' customers in Iran?

According to the above research questions the hypotheses of the study as follow:

H1: Opportunity cost of lost of Iranian banks customers will reduce to use of electronic banking.

H2: non-existing of enough knowledge have led to decrease in using e-banking in Iran.

H3: non-existing of enough trust have led to decrease in using e-banking in Iran.

H4: Education leads to increase in using of electronic banking services among the banks' customers in Iran.

Two research methods were occupied an exploratory research and Survey questionnaire. The

exploratory research based on secondary information obtained through the web, books and related journals. Since the paper aims to find out the factors that influence adoption of electronic banking services from Iranian customers, point of view, the method, which suits for this study, is a survey. Survey is a technique in which information is collected from a sample of people through a questionnaire. Survey questionnaire was supplied to empirically estimate the level of adoption of e-banking in Iran. A survey questionnaire was completed by the banks customers, at the end of 2011. The questionnaire contains two sections namely (A) the first section conclude demographic data such as gender, age, Education and occupation and (B) this section includes several questions regarding to the e-banking services which rendering in Iran. Five-Point Likert Scale questionnaire was employed in the research. The Five-Point Likert's scale having the ratings of "not important" (1) and "extremely important" (5) and also the ratings of "strongly disagree" (1) and "strongly agree" (5) were used. For analyzing data X² is employed which is the most relevant test to this kind of study.

A total of one thousand (1000) questionnaires were randomly supplied to business men and customers in the general public. Seven hundred and thirty (730) were returned, which represents 73% of the total respondents. The demographic information of participants is summarized in Table 1.

As Table 1 show, out of 730 participants 385 (52.74%) are female and 345(47.26%) are male. It means that the majority of participants are female. The Maximums of the respondents were ages 31 to 40 years (52.60%) and the least number of participants were upper than 50 years (11.92%). Related to educational background, out of 730 respondents 372 had bachelor degree which represent 50.96% followed by master degree of 238 participants in percentage 32.60%. The minimums of participants had PhD degree (1.51%).

Regarding to job position, majority of the respondents are employed in private sector, which states 234 (32.06%) followed by self employed with 27.26% Out of 730 participants 169 were governmental in percentage 23.15%. The least number of participants fall in the category of others (housewife, student, etc).

Table 1. Demographic information of participants

Variable	Category	Frequency	Percentage
Gender	Male	345	47.26
	Female	385	52.74
Age	20-30	113	15.48
	31-40	384	52.60
	41-50	146	20.00
	50 and upper	87	11.92
Education	Diploma	109	14.93
	B.S	372	50.96
	M.S/M.A	238	32.60
	PhD	11	1.51
occupation	Governmental	169	23.15
	Private	234	32.06
	Self employed	199	27.26
	Others	128	17.53

3. RESULTS AND DISCUSSION

In order to analyzing data, as it is mentioned before, X² test is employed. The results of testing hypotheses is summarized in Table 2.

The first hypothesis supposed in this study is:

H1: Opportunity cost of lost of Iranian banks customers will reduce to use of electronic banking.

According to table 2 the first hypothesis is accepted and null hypothesis is rejected. In other words, electronic banking in Iran has a lot of advantages which one of them is reducing of customers' opportunity costs. The main benefit from the bank customers' point of view is significant saving of time by the automation of banking services processing and introduction of an easy maintenance tools for managing customer's money. Automated e-banking services offer a perfect opportunity for maximizing profits. E-banking serves so many benefits not only to the bank itself, but also to the society at whole.

Table 2. The results of testing hypotheses

Hypotheses	X2 Table amount	Mono-sample X2 amount	D.f	Alpha P-value	Results
Hyp.No.1	4.823	16.30	2	0.002	Accepted
Hyp.No.2	8.726	10.237	3	0.003	Accepted
Hyp.No.3	2.728	5.392	2	0.015	Accepted
Hyp.No.4	7.912	19.02	3	0.001	Accepted

The second hypothesis is:

H2: non-existing of enough knowledge have led to decrease in using e-banking in Iran.

With reference to table 2 the results of this study show that this hypothesis is also accepted and a null hypothesis is rejected, in other words, the Iranian costumers have not enough knowledge related to e-banking in Iran.

The third hypothesis is:

H3: non-existing of enough trust have led to decrease in using e-banking in Iran.

With regard to table 2 the third hypothesis also accepted. In other words, this study shows trust is one of important factors of adoption of electronic banking services among Iranian costumers. The paper also indicates Iranian costumers have not enough trust related to e-banking. Therefore the null hypothesis is rejected also.

The fourth hypothesis is:

H4: Education leads to increase in using of electronic banking services among the banks' customers in Iran.

With regard to table 2 the results of this study show that this hypothesis is also accepted, in other words, consumer education is important to use of electronic banking; since consumers will not afraid of shopping online if they know about internet security. To increase high using of e-banking services should introduce it at mass level. By the way, improving society knowledge throughout TV, bulletin, etc will improve the knowledge of society at whole. Accordingly the null hypothesis is rejected also.

The research problems of this study have been defined as:

Q1: Whether the use of electronic banking services it would reduce Opportunity cost of lost of Iranian banks customers?

Q2: Does lack of enough knowledge and trust about electronic banking has reduced to use of electronic banking?

In order to answer the research problems, were employed two ways exploratory research and Survey questionnaire. Five-Point Likert Scale questionnaire was employed in the research. The results show opportunity cost of lost of Iranian banks customers will reduce to use of electronic banking and also indicate non-existing of enough knowledge and trust have led to decrease in using e-banking in Iran and education can increases using of electronic banking

services among the banks' customers in Iran. Therefore government and Bankers should attempt to introduce e-banking very well in Iran as early as possible. According to the above findings, the research is interesting to know effective factors to develop electronic banking services in Iran and we hope this study could provide it. Future studies can consider other factors to improve electronic banking services in Iran or other areas.

Corresponding Author:

Farshad Sameni Keivani

Department of Accounting, Islamic Azad University, Roudsar and Amlash Branch, Roudsar Iran, PO box 4481757396, Tel: +989116115380

E-mail: farshadsameni@yahoo.com

REFERENCES

1. Attaran M (2000), "Managing Legal Liability of the Net: A Ten Step Guide for IT Managers", Information Management and Computer Security, Vol. 8, No. 2, pp. 98-100.
2. Alagheband P. "Adoption of Electronic Banking Services by Iranian Customers", Lulea University of Technology, Master Thesis, Continuation Courses Marketing and E-commerce, Department of Business Administration and Social Sciences, 2006.
3. Burr, W. "Wie Informationstechnik die Bankorganisation verändern könnte," Bank und Markt 11, 1996.
4. Devlin J F (1995), "Technology and Innovation in Retail Banking Distribution", International Journal of Bank Marketing, Vol. 13, No. 4, pp. 19-25.
5. Dasgupta, P. (2002) Future of e-banking in India. Available online at: www.projectshub.com.
6. De R and Padmanabhan C (2002), "Internet Opens New Vistas for Indian Banks.
7. Elizabeth D (1999), "Provision of Electronic Banking in the UK and the Republic of Ireland", International Journal of Bank Marketing, Vol. 17, No. 2, pp. 72-82.
8. Feizi,k., Ronaghi,M.H., "A Model for E-banking Trust in Iran's Banking Industry", International Journal of Industrial Engineering & Production Research, Journal Website: <http://IJIEPR.iust.ac.ir/>.

9. Furst, K., Lang, W. W. and Nolle, D. E. (2002), "Internet banking", *Journal of Financial Services Research*, Vol.22, Issue ½, pp. 95-117.
10. Gupta, D. (1999) 'Internet banking: where does India stand?', *Journal of Contemporary Management*, December, Vol. 2, No. 1.
11. Hoffman, K. D. and Bateson, J.E.G. (2002) *Essentials of Services Marketing: Concepts, Strategies, and Cases*, 2nd Ed, Harcourt College Publishers Jedd, M. (2000) "Sizing up Home Delivery" *Logistics Management & Distribution Report*, Feb 2000. Vol39, Issue 2, p 51.
12. Jun, M., Yang, Z. & Kim, D. (2004), "Customers' perceptions of online retailing service quality and their satisfaction", *International Journal of Quality & Reliability Management*, Vol.21 No.8, 2004.
13. Jun, M. and Cai, S. (2001), "The key determinants of internet banking service quality: a content analysis", *International Journal of Bank Marketing*, 19/7, pp. 276-291.
14. Joseph, M., McClure, C. and Joseph, B. (1999), "Service quality in the banking sector: the impact of technology on service delivery", *International Journal of Bank Marketing*, Vol.17, No.4, pp. 182-191
15. Luštšik o. et al, "E-Banking in Estonia: Reasons and Benefits of the Rapid Growth", *Kroon & Economy*, No 3, 2003
16. Moriarty R, Kimball R and Gay J (1983), "The Management of Corporate Banking Relationships", *Sloan Management Review*, Spring
17. Malhotra, P. and Singh, B. (2007) 'Determinants of internet banking adoption by banks in India', *Internet Research*, Vol. 17, No. 3, pp.323-339
18. Mols, N. "The Behavioral Consequences of PC banking," *International Journal of Bank Marketing*, 16, 5, 1998, pp. 195-201.
19. Poon W C (2008), "Users' Adoption of E-Banking Services: The Malaysian
20. Mehdi Rahimi and others, (2012), A Proposed Model of Customer E-loyalty Measurement in Internet Banking, *Life Science Journal* 9(4),
21. Rao, G. R. and Prathima, K. (2003) 'Internet Banking in India', *Mondaq Business Briefing*, 11 April.
22. Sakkthivel, A.M., (2006, December) 'Impact of demographics on the consumption of different services online in India', *Journal of Internet Banking and Commerce: An Open Access Internet Journal*, Vol. 11, No. 3. Available online at: <http://www.arraydev.com/commerce/jibc/>
23. Simon S M Ho and Victor T F Ng (1994), "Customers' Risk Perceptions of Electronic Payment Systems", *International Journal of Bank Marketing*, Vol. 12, No. 8, pp. 26-38.
24. Saleh M. Nsouli and Andrea Schaechter, "Challenges of the E-Banking Revolution", *Finance & Development Magazine*, September 2002, Volume 39, Number 3
25. Saleh M., Mansouri A., Pirayesh R., "Banking Crisis: Empirical Evidence of Iranian Bankers", *Pakistan Journal of Commerce and Social Sciences*, Vol.2, 2009
26. Saleh M. Alipour.M, "E-Banking in Emerging Economy: Empirical Evidence of Iran", *International Journal of Economics and Finance*, Vol 2, No 1 (2010)
27. Sameni Keivani F. et al, 2011, "Conceptual Evaluation E-commerce, Objectives and the Necessary Infrastructure" at the International Conference on Construction and Project Management (ICCPM), September, 16-18, Singapore.
28. Taleghani, Mohammad, (2011), Key Factors in E- Banking: Concepts & Applications, *Life Science Journal*; 8(2), <http://www.lifesciencesite.com>.

3/26/2013