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## A qualitative assessment on the E-Banking Adoption in Banks: A case of HBL Pakistan

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### ABSTRACT

E-banking has become buzz world in the banking sector and also in the non-financial corporate sector. Pakistani banking sector has undergone rapid developments in the last decade and e-banking and associated automated services also improved during this tenure. The main issues in this regard remain low and slow adoption of the e-banking services in Pakistan. This study sought to explore this phenomenon and interviewed customers of the banks in Pakistan to assess their opinion and perceptions on the awareness, usability and adoption of e-banking in the country. NVivo was used to code and analyze the data. This study found that customers of the banks in Pakistan are aware on the scope of e-banking services and also are happy with its usability. They opined that e-banking saves costs, provide ease and enable the use to have relevant information on their bank balance and financial transactions. They further, provided that security concerns and lack of education and awareness may be main causes of low e-banking adoption. Thus, banks should improve their channel security and also try to launch awareness programs.

**Keywords:** Qualitative, E-Banking Adoption, Banks, HBL Pakistan.

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### INTRODUCTION

Automation is being considered an agent of transformation and change for the industry and society. Digitalization has altered the ways of doing business around the globe and the style of living is revolutionized in the response. The new life style is all about convenience, usability and facilitation and digitalization along with information technology plays an important role in

this regard. Therefore, notions relating to information technology and automation have become the 'jingle' in modern business context. The developments within the information technology have swept the industry quite quickly and it now is considered one of major way to build a competitive advantage in the corporate industry. Further, IT developments have also helped the industries to cut the cost and improve their responsiveness. These IT related developments are considered driver of growth and progress both in developing as well as in developed world (Sullivan, 2000; Wang, 2003). Apart from the IT boom, certain other industries have also impacted the corporate as well as social world. One of these industries is banking industry, which is considered a major contributor to the economic development of any country. Banking industry has also capitalized on digitalization and IT developments and such developments have revolutionized the banking business and its procedures. IT has not only boasted competition in the banking industry, but also has provided many new opportunities to the banks and banks are increasing leveraging their competitive advantage to the contemporary banking services such like online banking (Abor, 2008).

Following international trends, banking sector of Pakistan has also ventured into the pursuit of technological competencies. Automated softwares and other IT facilities such like internet and mobile banking are being provided to the customers. These facilities have made banking sector more efficient, responsive and competitive. Services like mobile banking, internet banking, online funds transfer and branchless banking are quite famous modes of E banking in Pakistan. Advent of automation reduces the costs of the banks, make them more responsive and they are better able to meet demands and requirements of their customers. Chaudhury and Kuliboer (2002) indicated that there is a huge potential for innovations in the online services that a bank or corporations could offer. Online services are considered one of the most growing and promising segment in the banking industry (HR-Focus, 2000) and it is very much convenient for the customers to avail online banking services as compared to availing banking services at physical branches. Bateson (2000) indicated that online services of banks improves reach of the bank and also enable the bank to serve a larger and more dispersed customer base in a more effective and efficient manner. Same notions were provided by Mistry (2006), who argued that online services of the banks avoid person to person contact and saves time and cost to the banks and also to the customers. But, the online service adoption rate is still low in the banks due to lack of awareness and other issues and it is very much important to understand the customer perceptions, level of awareness and service quality of online services of the banks. Further, customers using online banking services would have different service expectations from the banks as compared to the expectations of the regular customers of the banks and it is also

imperative to assess as to whether expectations of these customers are being met or not as Santos (2003) indicated that it is easier for the customers to appraise the value competing services like online banking as against regular banking. Although banks in Pakistan have introduced online banking services, but still there needs much to be done. The main issues in this regard remains the customer adoption of the online banking services as customers in Banking sector of Pakistan do not use much of the E-banking services, despite the fact that almost all of the banks in Pakistan are offering such services. This study explores the perceptions of the customers of Pakistani bank with regard to their acceptability and ease of use of E-banking services in Pakistan in order to provide implications to the banks and customers to better market and utilize E-banking facility.

### **E-Banking in Pakistan**

Pakistan being a developing country have different social and cultural dynamics as compared to the developed countries of Europe and America. The developments pertaining to automation, information technology and digitalization arrive late in Pakistan and there is a slow adoption rate of these innovations. Same things apply to the banking sector of Pakistan, where although all of the banks have introduced e-banking services, but many customers still are not comfortable availing these services. People either are unaware, lack formal training to use these technologies or are afraid of the security concerns associated with these services. But, by avoiding to use these automated services, people face a lot of difficulties and issues. They have to visit the bank branch; they have to wait in long queues in hot weather; and they have to bear unnecessary costs. Banks on the other hand are offering automated services, which require heavy resource commitment and if the customers are not attracted towards these services; bank resources may be underutilized.

The use of certain automated service has improved in Pakistan, particularly use of ATMs, debit and credit cards. Other services like internet banking, electronic funds transfer and mobile banking are a bit underutilized services of the banks in Pakistan. Historically, ATMs and credit cards were launched in Pakistan after 1995, by certain foreign banks and local banks started offering these services around 2000. Formal legislation governing these services was launched in 2002 with the name of transactional ordinance. At that point the setup launch cost was quite high and technical skills concerning implementation of these services was quite low (SBP annual report, 2003). But subsequently, the use of ATMs and credit cards improved considerably and banks started earning from these two services (SBP annual report, 2005). Last decade saw an exponential growth in the product development and adoption of the

contemporary e-banking services in Pakistan (SBP annual report, 2010) and this trend still continues. It is high time to investigate the prospects and expectations of the e-banking in Pakistan in order to guide banks to better implement these services.

### **Literature Review**

Use of internet and other information technology devices have given rise to e-banking and its services and it is a recommended way of doing banking business because it is more efficient and it also have more outreach as compared to conventional banking model of branch banking (Saim, 2006). Malhotra and Singh (2009) provided that this way of doing banking business reduce costs, help to organize the operations and reduce work. By implementing e-banking services, banks are able to reduce their branches and increase outreach, thus, cost reduction is the most appraised benefit of the e-banking (Cristinia, Beatrice & Florentina, 2014). Lustsik (2003) indicated that the major driver of initiation of the e-banking are cost minimization and profits associated with such initiatives. Other associated benefits are related to the better communication, promotional advantages, time efficiencies, increase outreach and increase in serving capacity. The notion on reduction in the operational costs are the strongest in the previous research done on this topic (Ahmad, Rezaul & Rehman, 2010; Kundi & Shah, 2009; Yiu, Grant & Edgar, 2007; Kurina & Liu, 2010). Almazari and Saim (2008) indicated that even medium sized banks could increase their business volume by using internet banking and associated technologies and all of this could be achieved without much investment in the physical assets of the banks (Almazari & Siam, 2008).

Channon (1998) relate that ATM was the very first automated technology which helped to reduce the cost and provided a viable and efficient alternative to the physical distribution of the money to the clients. Although, e-banking started a bit late in the Pakistan; main reason for this was lofty start-up costs and lack of technical skills to implement such system. Further, high implementation costs and losing the labor force was also considered major issues in launching e-banking in Pakistan (Kaleem, 2007).

E-banking considered equally valuable for individuals as well as for corporations, whereby individuals could use it for their ease and corporations could monitor their financial transactions and also are able to cut their costs and become more up to date and efficient in their financial management (Kaleem, 2007). Mistry (2006) recommended that banks could use their electronic services in a better way by improving their outreach, like ATMs could be installed near supermarkets to improve reach and transaction volume, which could ultimately reduce fixed costs of such services. Berger (2003) also indicated this and stated that with time

transaction volume increases and cost is declined sustainably over the time. Considering the security issues, it is argued that banks having internet banking facility do not have that much security threats as have conventional branch operated banks. The issues lie with the maturity of the bank, whereby young banks are unable to obtain more sophisticated and secure systems due to heavy costs and thus, are prone to security and safety issues (Sullivan, 2000). Thus, in absence of the security concerns, banks and customers both incur lower costs by offering/adopting e-banking solutions, which not only save the costs but also precious time as well (Bradley, 2003).

The cost cut for the banks do not only occur in the short run but also in the long run. E-banking is considered the cheapest distribution and fund management solution available in the industry. Despite the much value of the e-banking, it reduces bank and customer direct interaction, which might cause the customer to be disloyal and sometimes dissatisfied. So, banks offering e-banking solution as a viable option should seek alternative ways to interact and communicate with the customers (Lymperopulos & Chaniotakis, 2004). By and large, web services along with internet facility has provided so many options and convenience to the customers, that such services are considered matchless (Liu, 2008). These services not only reduce the costs but also enable the bank to build competitive advantage and retain its customers (Liu, 2008; Lymperopulos & Chaniotakis, 2004). There is some debate that bank should keep their composition in such a manner that their direct interaction with the customer is not reduced as Wang (2003) along with Johns and Perrott (n.d.) argued that contemporary e banking does not have to replace the conventional branch banking; rather it should function as its compliment as the real banking uses the old rules that still require vaults and paper records. Only reduction of the branches to an optimum level would be sufficient to reduce costs of the banks (Boon & Yu, 2003). Banks can also supplement their growth by improving their online outreach as compared to by opening new physical branches (Murillo, Llobet & Fuentes, 2010). So, e-banking has much to offer to the banking industry in terms of cost reduction, efficiency, convenience and speed and it could become a supplemental banking channel in the modern era (Hernando & Neito, 2006).

Popular contemporary banking services include visa cards, mobile banking, ATMs and internet banking. All of these popular services might have certain security issues. Further, transacting with banks require a lot of personal information, which could prove to be harmful for the customers, thus banks try to build trust of their customers on their privacy and security issues (Siam, 2006). It is widely assumed that security issues and frauds are preventing the banks to obtain much of the customer base, lack of knowledge is another factor in this regard (Sathye,

1999). According to Ahmad, Rezaul and Rehman (2010) security and difficulty of use are two major issues regarding e-banking, which are hindering growth of internet banking in Pakistan. Kaleem (2007) in this regard named risk and security issues to be a major hinderer of e-banking adoption. So, there is a need to educate the customers on the value and usability of the e-banking services in order to improve their confidence.

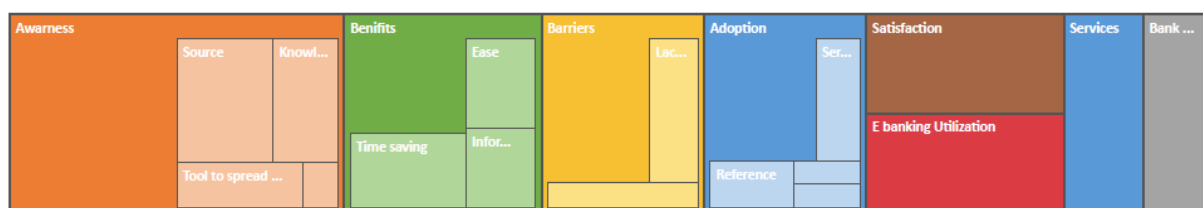
### Methodology

This study uses an exploratory research design, whereby customers of the different banks in Lahore, Pakistan were interviewed for their perceptions on the acceptability and adoption of the E banking services. Further, awareness and understanding of the E banking activities was also assessed in this study. This study selected 5 banks having commercial branches in the city of Lahore. Further, the branches were selected on the basis of the locality. Two respondents from each of the branch were selected on purposive basis. The willingness of the respondent to give time and information was main criteria for selection of the respondents. Data was collected through in-depth interviews and a study guide in this regard was prepared. Further, data collected was transcribed and entered into NVIVO software for analysis. Open coding procedure was adopted to code and analyze the data.

### Data analysis

This part of the research provides analysis of the data. Open coding procedure was adopted to analyze the data. The respondents were asked an array of questions to assess their awareness and satisfaction of the e-banking usage. Figure 5.1 provides the hierarchy chart for the codes used in this study. Further, size of the relative dimension of the chart represents the data coded on the code.

Figure 5.1 Hierarchy chart of codes



Further, figure 5.2 provides word tree for the term e-banking and represents different words that come before and after the term of e-banking.

First of all, respondents were asked demographical questions and general questions as to how they utilize banking services. All of the respondents considered in the study were males and had frequent usage of the banking services. Further, respondents were composed of businessmen as well as salaried individuals, who were using banking services for business as

well as for personal use such like for payment of electricity bills and for receipt of the payments from clients. Subsequently, they were asked as to whether they were satisfied with the services provided by the banks and what is nature of their relationship with their bank. Almost all of the customers seemed satisfied with their interaction and dealings with the bank. One of the customer responded that,

“my bank deals with me in a very good manner; they always offer me new services; they often call me and update me about any significant information they have”

Thus, overall people seem satisfied with their banker-customer relationship. There were certain occasional rifts like one respondent provided that the messages of ATM activity are late and one related to an incident, where his card was retained by the ATM machine. These incidents did not have any significant importance. Subsequently, customers were asked on their awareness of the e-banking and associated services. Again most of the customers related that they are quite aware of the e-banking services and also use certain services. Customers used world ‘popular’, ‘easy’ and ‘time saving’ for the e-banking services. One respondent in this regard defined e-banking in the following words,

“I know My opinion is e-banking is known as the making transaction online and apart from that you can easily send money from one city to another city. Through e banking services you can easily withdraw money through online system and you can check your balance online.”

So, customers have pretty good idea of the e-banking systems and procedures. Next probing question was related to the sources, though which customers got awareness of the e-banking. The most repeated source was related to the friends and family, which was coded as reference. One of the respondents indicated that,

“My friends, my relatives, my family members are using e banking services I saw them, and one day I visit my branch for cash deposit my bank staff give me information about their e-banking services and offers me to avail it.”

Apart from the referrals, bank staff was found to be a key consideration in development of the awareness among the customers. The staff provided information and assurance to the customers that they can use e-banking services with ease and surety. Following figure 5.3 provides tag cloud for the awareness node. The figure also indicated the words, of people, business, colleagues, staff, branch and visits indicating that customers get awareness of the e-banking by looking at the people who were utilizing these services or by the staff of the banks offering such services.

Figure 5.2 Tag Cloud – Awareness of e-banking



So, it was established that customer had good awareness and understanding of the e-banking services and they also use these services. Next customers were also enquired on their utilization of the e-banking services and services being offered by the banks in Pakistan. Following tag cloud referred to the service utilization of the customers.

Figure 5.3 Tag Cloud – Service utilization







opined that lack of education and awareness is among the top barrier that hinders the customers to adopt e-banking. Some other respondents also related to the security threats in this regard. One of the respondent opined that,

“Mostly people don’t use e-banking because they have no knowledge about e-banking and most people in the country are un-educated. They don’t know how to use e-banking services like how to use ATM card.”

So, lack of education and proper awareness is the key aspect, which needs to be addressed in an appropriate manner to improve customer base of the banks. Banks in this regard could initiate formal awareness and training sessions for their customers, particularly in the remote areas to teach them usage of e-banking services. Another major concern rose was related to the security concerns. One of the respondents opined that,

“By my point of view E banking is not secure in some cases just because of there are number of hackers now days; so they can easily hack your account and transfer your money to their account so I think in this case e-banking is not secure.”

Banks in this regard should strengthen their security systems and provide assurance to their customers that their money is safe and their transactions are secured.

Figure 5.5 Tag Cloud – Barriers to e-banking adoption



So, security related issues were main concern of the people along with the knowledge and awareness of the people in Pakistan. So, banks need to address these issues in an appropriate manner to grow their e-banking initiatives.

Overall, respondents have good awareness of the e-banking services and also utilize these services frequently. There is still need to improve outreach of e-banking particularly in the rural areas of Pakistan. E-banking is a viable banking channel, which is being preferred by the clients in Pakistan as these provide them ease, speed and proof information relevant to their financial transactions. So, banks need to invest in the e-banking initiatives and build competitive advantage in this regard.

## **Conclusion**

Pakistan is a developing country and banking sector of Pakistan has witnessed a late growth in the last decade. Banks have started initiating the e-banking services, which have huge potential in the market and these services are quite successful in the Pakistani market. But the issues remains that penetration and adoption of e-banking services is quite low and slow. This study in this regard explores the perceptions and opinions of the bank customers in Pakistan for their awareness, use and adoption of the e-banking services in Pakistan. The study conducted interviews to collect the data and found that customers are not only aware of the e-banking, but they utilize e-banking services for personal as well as business financial needs. Further, they seem satisfied with the usability of the e-banking services. Three main benefits were identified relating to the e-banking i.e. time saving, ease of use and availability of timely information pertaining to the financial transactions and available balance. The study found that lack of knowledge and education along with the security concerns are main hindrance factors for e-banking adoption. Thus, banks should work on improvement of their outreach by making their customers aware and provide them assurance for the safety of their money.

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## Appendix (Interview Guide)

Dear Sir,

I am conducting a study on E banking adoption in Pakistan. The focus of the study is on factors that contribute or hinder E banking adoption in Pakistan. The interview would last around 30 minutes. I assure you anonymity and privacy of your response. Your opinion will not be quoted with your name or any other identification mark and would only be used in research as generalized content.

I thank you for your time and co-operation.

Aspect	Questions
Demographics	<ul style="list-style-type: none"> <li>- Name</li> <li>- Business/ work status</li> <li>- Tenure with current bank</li> <li>- Nature of dealing with the bank</li> <li>- Frequency/ need of financial transactions</li> </ul>
Know-How	<ul style="list-style-type: none"> <li>- Do you know what E banking is?</li> <li>- How did you come to know about E banking?</li> <li>- Do you use E banking services of you bank? Name the services that you use.</li> <li>- How often do you use E banking services of your bank?</li> <li>- Is your bank providing you E Banking services?</li> <li>- What type of E banking services are being provided by your bank?</li> <li>- Do you bank staff offer you to use E banking services?</li> <li>- Do your bank staff provide you information on the E banking services?</li> <li>- Do you think that your bank should offer you any other E banking related service?</li> <li>- Are you satisfied with E banking services of you bank?</li> </ul>
Support Factors	<ul style="list-style-type: none"> <li>- Would you prefer E banking services over conventional branch banking? If yes, why and if no, why not.</li> <li>- What is most distinguishing factor of E banking services?</li> <li>- What are three most important benefits of E banking services? Please explain why you think these are important?</li> <li>- Would you consider switching your bank, if any other bank is providing better E banking services?</li> <li>- What E banking service is mostly used by you? What do you like about this service?</li> <li>- What provoked you to use E banking services in the first place?</li> <li>- What is main attraction of E banking services?</li> <li>- Do you think that education plays any role in E Banking Adoption?</li> <li>- To what kind of person, E banking would be more attractive? Businessmen, student, educated, young, old, frequent traveler, person doing frequent payments/ receipts</li> </ul>
Barriers	<ul style="list-style-type: none"> <li>- Why people do not use E banking services?</li> <li>- Do you think that people are aware of E banking services?</li> </ul>

	<ul style="list-style-type: none"><li>- Do you think that people are aware of benefits of E banking services?</li><li>- Have you ever faced any issues with E banking services? If yes, please elaborate it.</li><li>- Do you think E banking is secure? Have you heard of any security issues with E banking? Could you relate to the issue?</li><li>- Do you think that IT literacy is low among people and that's why they do not use E banking?</li><li>- What are other barriers, due to which people do not use E Banking? Please elaborate</li></ul>
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