

E-Banking in United Arab Emirates: *Understanding the Innovation and the Impact of Its Adoption*

Besar Ibrahim Mohammed

Abstract:

Advent and development of technology have brought a lot of advancement to businesses and business transactions around the world; the banking sector and other financial institutions across the world should however not be left out of the benefits of technological development. Electronic banking is an innovative development that has brought a dynamic service operation in the banking sectors. Internet banking has brought a reliable and fast service for customers' convenience. It has also been embraced in developed and underdeveloped countries, making the innovation a worldly accepted one. The United Arab Emirates (UAE), with one of the best economies in the Middle East, is one of the countries that have embraced electronic banking over the years. The study aims to understand the pattern of electronic banking transactions in the UAE, the customers' reasons for adoption and non-adoption of the system, as well as the challenges facing electronic banking in the UAE. The study equally aims to understand security, trust, compatibility, physical contact, and computer education as a factor for its adoption and non-adoption of electronic banking.



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About Author (s)

Besar Ibrahim Mohammed, Department of Accounting, Paytaxt Private Institute, Irbil, Iraq.

1. Introduction

Championing any nation's economy and financial operation has always been the duty of a bank in recent times. For a bank to be able to harness more customers and gain popularity, the quality of service always plays a great role (Gerrard & Cunningham, 2003). Satisfaction and loyalty of bank customers always have to do with the performance of such a bank in relation to the profit and the market share of the bank (Amiriaghdaie & Faghani, 2012). Electronic banking or Electronic Fund Transfer (ETF) is essentially the use of electronic means instead of cheque or cash, to transfer money from one account into another (Gerrard & Cunningham, 2003). There are so many ways electronic banking is being used among which are making a withdrawal from your bank account via an Automated Teller Machine (ATM) at your convenient time, depositing your paycheck directly into a bank account, request the bank to pay your weekly or monthly bills, such as house rent, electricity bills, purchase of goods online, or pay schools fees, checking of personal account balance at a convenient time, among many others. This is also important at the time of global pandemic such as the emergence of Covid-19 where digital marketing and online services become inevitable (Eti & Bari, 2020). Having better bank service makes it easier for the customer in this regard to compete their transactions. In increasing the efficiency of service, technology plays a vital role. Banking activities are becoming customer-based these days, making some of its operations to rely on the use of the internet. However, the successful adoption and use of electronic banking depends not only on access to the internet, but also on some other factors, such as legal and regulatory mechanisms, characterized online products Riquelme, Mekkaoui, & Rios (2009). Speedy and efficient services provided by electronic banking makes the customers pleased with the service ahead of conventional physical banking (Basariya & Abdullah, 2018).

2. Literature Review

Electronic Banking

For many sectors, including the banking sector, the advancement of technology has given a magnificent result. The world has become a global village due to the sectors' adoption of the internet which has invariably minimized the time, distance, and connectivity restriction (Riquelme et al., 2009). The banking sector here is the lifeblood of the economy where effective and efficient services can drive more economic growth (Mahmud, 2020). Developing banking sector especially the e-services serves customer interest. Many countries in the world have witnessed the advent of electronic banking. The adoption of electronic banking by banks and the acceptance by the customers are connected to some factors, ranging from the literacy level, the competitive rate of interest, customer service, education, and the customers' level of income (Awan, Khan, & Zhang, 2012). For a bank to opt for internet banking, there are some factors and needs assessment that will be conducted, such as the pattern of electronic banking, electronic capacity of the bank, in relation to their electronic commerce (Riquelme et al., 2009).

In the Middle East, the United Arab Emirates has the best economy, making electronic banking inevitable. Over the years, there has been an increased number of people adopting electronic banking in the UAE. People who have adopted the use of internet banking or e-banking have always been characterized with certain demeanor towards its use, especially in the area of compatibility, security, difficulty, and trust among others (Awan et al., 2012). Notwithstanding, it is important to state that the existence of e-banking has however not overthrown physical banking in the UAE, as both are existing *pari passu*. In the UAE where

technology is rapidly increasing daily, it is expected that the banking sector will tap into electronic development, resulting in electronic banking, in an attempt to meet the needs of the customers in this competitive business environment. UAE has an extraordinary number of customers using electronic banking, of which they will continue to increase, with more than 75% of customers in the UAE using electronic banking – mobile and online banking, indicating an exponential increase in the use of electronic banking (Riquelme et al., 2009).

3. Electronic Banking Transaction in United Arab Emirates

Among all benefits and advantage that e-banking gives, the convenience it gives to the customers ahead of the conventional physical banking remains a germane factor as banks are working on digitalization (Farzianpour, Pishdar, Shakib, & Toloun, 2014). This has actually been attested to by over 60% of the bank customers in the UAE to be much easier to access. There are times when a customer will have to physically go to a banking hall before any transaction can be made, or to get any information concerning a financial status; hence, communication with the bank has been much easier with the introduction of the electronic banking. A lot of transactions can now be carried out with the use of laptops and smartphone at the convenience of the bank customers. Infact, cash withdrawal can be done via a debit card through an ATM (Farzianpour et al., 2014). This development has brought about changes to physically visiting the bank branches as regular transactions, such as money transfer and balance enquiries, which amount to about 84% of the transaction that customers carry out in the bank (Pikkarainen, Tero, Pikkarainen Kari, Karjaluoto, Heikki, Seppo, & Pahnla, 2004). Since self-service can now be done without visiting the bank, it is then expected that there will be an increase in the use of electronic banking in the UAE.

It is however important to note that visiting bank branches are still necessary for transactions such as credit and application of credit cards. Instead of being purely digital, customers are getting highly multi-channel. There is a need for bank branches to stay relevant by making their branches to carry out excellent consultancy service to their customers and satisfy them anytime the branches are visited (Gerrard & Cunningham, 2003). There have been different opinions by different adopters of electronic banking in the UAE, apart from the fact that bank transactions can be carried out at the comfort of one's home, adopters have been able to conclude that electronic banking suits their lifestyle, line of work and some develop interest due to their interest innovation and passion for electronic banking (Pikkarainen et al., 2004). Some adopters of electronic banking in the UAE majorly make use of it because of its easy-to-use features, it was noted that electronic banking makes banking transaction easy and less complicated (Awan et al., 2012).

Accessing the internet and on different websites makes it more practical and less complicated for customers who can now visit the web and carry out their various transactions (Akinici, Aksoy, & Atilgan, 2004). Time is also an important factor in electronic banking. Customers don't need to go to bank branches to perform transactions. Some of the adopters of electronic banking in the UAE noted that it is fast and saves time; this is because electronic banking is always open 24 hours a day (Marwan, 2017). It was discovered that the major expectation of customers regarding electronic banking are security, privacy, trust, reliability, contact, responsiveness, service dynamism, and efficiency (Pikkarainen et al., 2004). In the UAE, the satisfaction of these expectations has been an underlying factor for the adoption of electronic banking; thus, facilitating the growth of its users over time (Marwan, 2017).

4. Electronic Banking and small and middle-sized enterprises (SMEs)

Transacting business through the use of e-banking enables customers to have unrestricted access to banking services, such as payment of bills, transfer of funds at lower cost than the conventional banks, as well as availability of receipts of the funds. One of the challenges of conducting businesses of SMEs in emerging economies is their inability to efficiently transact business with little or no financial architecture that would support such activities, as well as to ultimately satisfy their customers (Calisir & Gumussoy, 2008). With the use of internet banking, there will be reduction in time spent in banking halls, and well as reduction in the cost of transportation to banks. The findings of Shahnoori and Jenkins (2019) claimed that a reliable internet banking facility would facilitate international trade, convenience, and low cost services for SMEs in UAE; for instance, \$62.1 million would be saved per year by UAE free zone firms. Hence, there is a need for the government to be proactive in institutionalizing appropriate legislative and regulatory framework that would see to the seamless and secured online banking services. Some countries ever went through more advanced banking services such as m-banking which increases customer intention and purchasing (Hossain & Zhou, 2018). These services are very important and facilitates the operation of SMEs.

5. Security Challenges of Electronic Banking

One of the major challenges facing electronic banking across the world and in the UAE is the issue of security. The issue of security becomes inevitable as the banking sector is increasing the level of its digitalization (Riquelme et al., 2009). About 66% of the banks across the UAE have clearly stated security as a challenge to electronic banking (Awan et al., 2012). Electronic banking can only thrive when the bank is willing to balance customers' protection with simplicity and convenience. It is evident that security challenges may affect banks to a large extent via various breaches (Marwan, 2017). It was discovered that 84% of banks using electronic banking still rely on the conventional use of the password to cater for the problem of security (Riquelme et al., 2009). Biometrics and encryption play a major role in solving electronic banking security issue. To protect online transactions, different security level has been put in place such as authentication and identification, firewalls, encryption, biometrics among others (Gerrard & Cunningham, 2003). it must however be noted that banks must play an important role in securing the data of their customers and protecting their transaction. A system connected to a public network cannot guarantee substantial security, because there won't be any foolproof security method to protect transactions and any data sent from clients to the server online (Farzianpour et al., 2014).

In the UAE, different adopters of electronic banking still don't feel fully secured because some perceived that the solution to electronic banking has not been fully implemented and integrated into the security architecture of the banks to warrant foolproof breaches (Amiriaghdaie & Faghani, 2012). About 39% of the adopters of electronic banking in the UAE still express their uncertainty about the security standard of using the bank's website and application for transactions (Awan et al., 2012). To this end, customers may have to abandon a bank whose security and convenience are not taken as a priority. In solving security issues of electronic banking, a clear and developed means should be devised without interfering or removing the convenience it brings to the customers (Akinci et al., 2004).

6. Trust

Very close to the issue of security challenges in electronic banking is the issue of trust. Some of the customers who don't adopt electronic banking in the UAE claim they don't trust the bank to protect their private data while using electronic banking (Awan et al., 2012). While some feel there is no need for it, others completely do not trust the internet protocol the bank is using to carry out electronic banking. Thus, transparency and convincing customer in regards to bank security is very effective in the bank operations (Wijayati & Suryaputra, 2020). All these have a lot to do with the negative attitude non-adopters of electronic banking have towards the system, as some of them lack trust in any transaction carried out with the internet (Amiriaghdaie & Faghani, 2012). Trust here is the significant factor in the reception of e-banking and considered as core to customer loyalty and satisfaction (Khan & Abdullah, 2018). To a reasonable extent, adopters of electronic banking have a quality amount of trust in the technology the bank is adopting to transact, as well as the secrecy of their private data (Marwan, 2017). The major issue leading to lack of trust in electronic banking, especially among non-adopters is privacy, technology in use, and security (Pikkarainen et al., 2004); While adopters have full trust and feel financially secured while using electronic banking, and non-adopters always feel it is rather a huge risk to take.

7. Physical contact

Generally in a business transaction, physical contact is an important factor; however, with the development of technology, some businesses around the world have adopted electronic transactions, reducing the necessity of physical contact. The banking sector through the innovative development of electronic banking has also introduced technology into banking. The majority of the bank customers in the UAE who don't adopt electronic banking claimed that conventional physical contact in the bank branch should be the norm that must be sustained (Amiriaghdaie & Faghani, 2012). It was noted that in the banking service, customers meeting face-to-face with staff is an important element. Some of the non-adopters equally claim that there will be nothing like personal help while using electronic banking, whereas, this will be adequately provided in the banking hall (Marwan, 2017). The majority of non-adopters of electronic banking are holding on to the lack of physical contact as one of the bases for not adopting it.

8. Illiteracy

Lack of computer education has been one of the major challenges faced by electronic banking and its adoption (Riquelme et al., 2009). Some non-adopters in the UAE always feel the process of electronic banking is complicated and they can never understand its usage. While some feel it is difficult to use while conducting a transaction, others feel it is confusing (Pikkarainen et al., 2004). To some other non-adopters, electronic banking requires a lot of effort because of the details that it always requires (password and username) before access is granted to for its usage for any relevant transaction at any time (Gerrard & Cunningham, 2003). The banking institution should ensure that they continuously engage with the populace regarding the understanding of this innovation, in an attempt to allay any fear and to gain the trust of this technology. Educating the populace could be through the print and non-print media. Business to foster needs to invest in their human development. Human capital development in this regard could bring return on investment (Abdullah & Othman, 2016). Banking sector apart from their operation needs to educate their employees and transfer their knowledge to public in order to ensure customers that online banking is swift and efficient where customers can perform their transactions without fear. It is noteworthy

to state that the oldies should be convinced, as they often lack confidence in modern technologies.

9. Conclusion

To a large extent, this study provides a profound examination of electronic banking, its adoption by the customers, and reasons for non-adoption. The study indicates the fear of customers regarding electronic banking. Most of the customers feel their private data may not be secured; hence there is a lack of trust in the system, leading to non-adoption of some customers. Banks should therefore take an intellectual step by convincing the customers about the effectiveness of their security system cum the convenience of electronic banking. Another salient issue raised by this study is that of computer education and the use of the internet. Some of the customers mentioned this as reasons for their resentment towards electronic banking, stating the complication of the application, and bank web page. Banks should take a bold step by creating a customer-friendly web page that will be less complicated, trustworthy, and at the same time secured for the users to use. Training should be organized by banks in order to teach customers and prospective users the *modus operandi* of electronic banking. Different media outlets should be employed to teach customers about the use and benefit of electronic banking. In addition, the government should be proactive in institutionalizing appropriate legislative and regulatory framework that would see to the seamless and secured online banking services.

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