Effect of Electronic Banking on Employees’ Job Security in Nigeria

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Abstract

The purpose of this study is to determine the effects of electronic banking on employees’ job security in the Nigerian banking sector, with special reference to four selected banks in Lagos, Nigeria. The implementation of strategic policies in many organizations has been confronted with resistance from both the employees and the semi-skilled workers in the Nigerian banking sector are no exception. We used survey design in our study. Four hundred respondents from Guaranty Trust Bank, Equatorial Trust Bank, Eco Bank and Skye Bank were sampled. Two research questions and one hypothesis were raised and formulated to guide the study. A 20 item self-report instrument was used for the study. The responses were numerically quantified, tabulated and analyzed using mean and chi-square. The result shows that adoption of e-banking directly leads to loss of jobs and early retirement of employees in Nigerian banking sector. Also, adoption of automated teller machine and other e-payment systems also affect job stability and employment of teller officers in the Nigerian banking sector. Although, e-banking services enhance customers’ satisfaction and sustainable competitive advantage, efforts should be made by the management of Nigerian banks to ensure that adoption of e-banking does not necessarily lead to direct loss of jobs and early retirement of employees. Also, e-banking should be seen as an option to enhance the service delivery of employees in Nigerian banking sector and not a substitute to employees’ performance.

Keywords: E-Banking, Job security, Early Retirement, Competitive advantage, Automated Teller machine, Nigeria and Banking Sector.

Acknowledgment

Nil
INTRODUCTION

In recent times, the importance of electronic banking (e-banking) in the various economies of the World cannot be over-emphasized. The interaction of the world economy (globalization) necessitated with the advancement in Information and Communication Technology (ICT) brought tremendous changes in the means of production and rendering of services in all sectors of the economy.

Due to the increase in technology usage in the banking industry, performance increases day-by-day. E-banking is becoming an indispensable part of modern day banking services. Banking industry is also one of the industries that adopt technology which helped in providing better services to customers. Quality of services is improved by using technological innovations. Online banking is time-saving (Quresh, Zafar & Khan, 2008).

It is also important to note that modern day banking services paid more emphasis on the usage of technological innovations to improve service delivery and high level of customer’s satisfaction. This explains why we experienced high level of job insecurity among employees in the modern day industry. This dehumanizes the work organization which is one of the shortcomings of Business Process Improvement (BPI).

The focus of the present study is more on the effect of e-banking on employees’ job security in the Nigerian banking industry. The transformation from the traditional banking to e-banking has been a ‘leap’ change. The evolution of e-banking started from the use of Automated Teller Machines (ATMs) and telephone banking (tele-banking), direct bill payment, electronic fund transfer and the revolutionary online (internet) banking (Safeena, Abdullah and Date 2010). Internet is the cheapest delivery channel for banking products as it allows the entity to reduce their branch networks and downsize the number of service staff (increasing of the level of employees’ job insecurity in the industry).

Research Questions:

1. What is the level of adoption of e-banking in the Nigerian banking sector?
2. What level of effects does e-banking have on worker’s job security in Nigerian banking sector.

The objectives of this paper, therefore, include:

1. To find the extent of adoption of e-banking in Nigeria.

2. To determine the influence of e-banking on the employees job security in Nigerian banking sector.

Research Hypothesis:

The adoption of e-banking does not directly leads to loss of jobs and early retirement of employees in Nigerian banking sector.

2.0 LITERATURE REVIEW.

2.1 E-Banking

Nigerian banks are not left out in utilizing Information Technology (IT) in order to improve their general service delivery. For example, some of the ICT processes that are being used by banks in Nigeria include: mobile telephony, facsimile, wireless radio phone, very small aperture terminal satellite (VSAT), Automated Teller Machine (ATM), Internet Banking and Local Area Network (LAN) among other (Idowu, Aliu & Adagunodo, 2002; Salawu & Salawu, 2007; Ugwu, 1999).

According to Idowu, Aliu & Adagunodo (2002) Nigerian banks have realized that the way in which they can gain competitive advantage over their competitors is through the use of technology. Salawu and Salawu (2007) observed that there is growing rates of technology adoption in the Nigerian banking operations. The Central Bank of Nigeria (2007) maintain that among the e-banking processes adopted by Nigerian banks the ATM is the most patronized by customers. In addition, it was found that attitudinal dispositions significantly influenced their ATM usage. Klynveld, Peat, Marwick & Goerdeler (2009) in this regard found that Nigerian bank customers give special consideration to banking particularly ATM. With this, it seems that Nigerian bank customers are increasingly associating quality of bank services with online real
time. They are now more alert and meticulous in choosing banks to patronize (Idowu, Aliu, & Adagunodo, 2002)

Several authors have conducted investigation on the impacts of ICT on the banking sector in the Nigerian economy. For instance, Agboola (2003) discussed the dimensions in which automation in the banking industry manifest in Nigeria. They include:

- i. Bankers Automated Dreaming Services. This involves the use of Magnetic Ink Character Reader (MICR) for cheques processing. It is capable of encoding, reading and sorting cheques.
- ii. Automated Payment System: Devices used here include Automated Teller Machine (ATM), Plastic Cards, and Electronic Fund Transfer
- iii. Automated Delivery Channels: These include interactive television and the internet.

Agboola (2001) studied the impact of computer automation services and discovered that electronic banking has tremendously improved the services of some banks to their customers in Lagos. His study was however restricted to the commercial nerve centre of Nigeria and concentrated only on six banks. He made a comparative analysis between the old and the new generation banks and discovered the rate of adoption of the automated devices.

E- Banking refers to systems that enable bank customers to get access to their accounts and general information on bank products and services through the use of bank’s website, without the intervention of or inconvenience of sending letters, faxes, original signatures and telephone conformations (Henry 2000; Thulani, Tofara & Longton 2009).

Willcocks, & Lester (1996) and Dawson (1998) explicitly stated the benefits of adoption of information and communication technology as it facilitates speed operation, better communication, timely management, improvement of product quality and gaining competitive advantage.

Lee (2009) as cited in Azouzi (2009) identified the benefits of electronic banking adoption. For instance, e-banking provides customers with a wide range of financial benefits such as lower transaction handling fees, higher deposit rates, opportunities to win prizes and extra credit card
bonus points. It allows customers to save time by conducting their transactions quickly without having to queue up and to use paper documents to mention just a few. E-banking offers customers the opportunity to interchange electronic data as to communicate with bank staff since all important transaction details are laid out at the website. Lee added that online banking provides customers with immediately available and transparent information.

2.2 Automation Process and Employees’ Job Insecurity

Modern companies have resorted to the automation of processing capabilities and the substitution of labour intensive processes by machine processed applications. The information age has arrived, asserts Rifklin (1995) in the end of work, new and more sophisticated software technologies are going to bring civilization ever closer to the new workerless world. He then concludes that information technology has been used to deskill, discipline and displace human labour in a global speed up of unprecedented proportions. The modern day banking services place more emphasis on technological innovations to improve service delivery and high level of customer’s satisfaction. This however, increases the level of employee’s job insecurity by rendering some skills obsolete and demanding high level of skill in information technology.

2.3 Theoretical framework adopted for the study

In spite of various theories on information technology, the researchers consider system theory appropriate for this study. This theory serves as an eye opener on integration of ICT, human resources and other stakeholders in an organization working towards the accomplishment of common goals and objectives (organization as an open system). The system approach views an organization as a whole and involves the study of an organization in terms of the relationship between technical and social variables within the system. Changes in one part, technical or social, will affect other parts and thus, the whole system.

2.3.1 Organization as an open system

A system is an organized, unitary whole composed of two or more interdependent parts, components of sub-systems and delineated by identifiable boundaries from environmental supra-system (Kast & Resenzroeia, 1979). Also, Koontz O’ Donnel & Weihrich (1980) viewed
system as a set or assembling of things connected or interdependent, so as to form a complex unity, a whole composed parts in orderly arrangement according to scheme of plans.

Therefore, organization can be seen as an open system which take inputs from the environment (output from other system) and through a series of activities transform or convert these inputs into output (input to other systems) to achieve some objectives.

In terms of open system model, the business organization, for example, takes in resources such as people, finance, raw-materials and information from its environment, transforms and converts these and returns them to the environment in various forms of outputs such as goods produced, service provided, completed processes or procedures in order to achieve certain goals such as profit, market standing, level of sales or customers’ satisfaction.

3.0 METHODOLOGY.

This section contains a discussion of research design and procedure, instrumentation, and statistical methods employed for the study.

3.1 Research Design

The study is a descriptive survey because it adopted the use of questionnaires and personal interview aimed at finding the effect of electronic banking on employee’s job security in the Nigerian banking sector.

3.2 Population and Sample

The population of this study consists of the staff in four commercial banks in Lagos State, which are Guaranty Trust Bank, Equatorial Trust Bank, Skye Bank and Eco Bank Nigeria Plc. All commercial banks have headquarters in either Abuja (the capital city) or Lagos. Hence, it was imperative to focus on these branches as they generally reflect technologies by sister branches.
The sample comprised 400 employees randomly selected through stratified random sampling technique from four commercial banks in Lagos State. One hundred (100) employees were selected each from the four banks used as the case study.

3.3 Instrumentation

A structured questionnaire adapted from several part survey and modified was used as main data gathering instrument. This was divided into two sections. Section A captured basic biographic information of the respondents such as department/unit, designation and rank in the work place. Section B contained 20 items where respondents were asked to indicate the extent to which they agree/ disagree to various statements regarding the perceived benefits and social effects of adoption of e-banking. The questionnaire were structured on 4- points modified likert scale battery of strongly agree (4), agree (3), disagree (2) and strongly disagree (1). Due to commercial confidentiality and sensitivity of the banking information, the questionnaire was design in a manner that did not require the respondent to neither reveal their names nor their banking institutions. The validity of the instrument was ascertained by test experts to ascertain its content before its use. The reliability of the instrument was established with Cronbach Alpha technique, which yielded reliability coefficients of 0.85 confirming that the instrument was reliable.

3.4 Method of Data Analysis

The research question one was answered by calculating the mean (X) and research question two was answered by calculating both the mean (X) and standard deviation (SD). The chi-square test of independence was used in testing the only hypothesis at p < 0.05 level of significance.

The total value of the four rating scale for questionnaires is 10. The mean is 2.5. Mean score of 2.5 and above formed the basis for the acceptance of the results. The analysis was done mainly by using Statistical Package for Social Science (SPSS) software (version 19.0 for windows).
4.0 DATA ANALYSIS AND RESULTS

A Total of 400 copies of the questionnaire were distributed to the participants in the study, while 351 copies were eventually retrieved out of which 10 were rejected on the ground that they were not properly completed. This means that a response rate of 83.25 percent was achieved.

Research Question 1: What is the level of adoption of e-banking in Nigerian banking sector?

Table 1: Respondents’ views on the level of adoption of e-banking in Nigerian banking sector

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Often</th>
<th>Occasionally</th>
<th>Rarely</th>
<th>Not at all</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>GTBank</td>
<td>56</td>
<td>32</td>
<td>01</td>
<td>01</td>
<td>90</td>
</tr>
<tr>
<td>ETB Staff</td>
<td>41</td>
<td>36</td>
<td>02</td>
<td>00</td>
<td>79</td>
</tr>
<tr>
<td>Skye Bank</td>
<td>52</td>
<td>40</td>
<td>01</td>
<td>01</td>
<td>94</td>
</tr>
<tr>
<td>Eco Bank</td>
<td>48</td>
<td>27</td>
<td>03</td>
<td>00</td>
<td>78</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>197</strong></td>
<td><strong>135</strong></td>
<td><strong>07</strong></td>
<td><strong>02</strong></td>
<td><strong>341</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2011

The analysis of respondents’ views on the level of adoption of e-banking by the banks in Table 1 shows a very high level of adoption of e-banking in their banks. All the respondents (GT Bank, ETB, Skye Bank and EcoBank staff) express their view that they often applied e-banking mechanism in their operations. Perhaps, this may be because of rapid advances in IT and intensive competitive banking markets. E-banking is an invaluable and power tool driving development, supporting growth, promoting innovation and enhancing competitiveness. This finding is in line with the submission of Rafiu (2007) that the challenge to expand and maintain banking market share has influenced many banks to invest more in making better use of internet.
This implies that banks that fail to adopt or respond to emergence of e-banking in the market are likely to lose customers and that the cost of offering e-banking service is less than the cost of keeping branch banking. Christopher, Mike & Amy (2006) observed that e-banking has become an important channel to sell the products and services and is perceived to be necessity in order to stay profitable and successful.

Research Question 2: What level of effects does e-banking have on workers’ job security in Nigerian banking sector?

Table 2: Summary of effects does e-banking on workers job stability in Nigerian banking sector

<table>
<thead>
<tr>
<th>SN</th>
<th>Variable</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Adoption of ATM led to laying-off of teller officers</td>
<td>2.02</td>
<td>0.813</td>
</tr>
<tr>
<td>2</td>
<td>My bank reduces the number of employees as a result of telephone banking</td>
<td>2.56</td>
<td>1.069</td>
</tr>
<tr>
<td>3</td>
<td>The emergence of internet banking led to early retirement of staff</td>
<td>2.07</td>
<td>1.012</td>
</tr>
<tr>
<td>4</td>
<td>High level of redundancy is as a result of electronic fund transfer in banking industry</td>
<td>2.56</td>
<td>1.085</td>
</tr>
<tr>
<td>5</td>
<td>The usage of automation as a result of technological innovations led to displacement of employees</td>
<td>2.55</td>
<td>0.856</td>
</tr>
<tr>
<td>6</td>
<td>The adoption of telephone banking led to downsizing of customer’s relation officers</td>
<td>2.59</td>
<td>1.005</td>
</tr>
<tr>
<td>7</td>
<td>The use of internet banking reduces the number of services staff</td>
<td>2.56</td>
<td>0.926</td>
</tr>
<tr>
<td>8</td>
<td>Electronic fund transfers led to redundancy of service staff in Nigeria banks</td>
<td>2.22</td>
<td>1.064</td>
</tr>
<tr>
<td>9</td>
<td>There is forceful ejection of teller officers as a result of automation</td>
<td>2.52</td>
<td>1.134</td>
</tr>
<tr>
<td>10</td>
<td>The emergence of telephone banking contributed to</td>
<td>2.58</td>
<td>1.117</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>The adoption of internet banking increases the level of employee’s job insecurity</td>
<td>2.54</td>
<td>0.899</td>
</tr>
<tr>
<td>12</td>
<td>Electronic fund transfer promotes de-skilling of staff in my bank</td>
<td>2.53</td>
<td>0.989</td>
</tr>
<tr>
<td>13</td>
<td>The adoption of automation process reduces the level of manual procedures</td>
<td>2.89</td>
<td>1.124</td>
</tr>
<tr>
<td>14</td>
<td>Telephone banking service increases the level of employee’s job insecurity</td>
<td>2.52</td>
<td>1.064</td>
</tr>
<tr>
<td>15</td>
<td>Early retirement in banking industry is a resultant effect of internet banking innovation</td>
<td>2.57</td>
<td>0.975</td>
</tr>
<tr>
<td>16</td>
<td>Electronic fund transfer increases the level of employees’ job insecurity</td>
<td>2.69</td>
<td>1.062</td>
</tr>
<tr>
<td>17</td>
<td>ATM enhances de-skill of workers in the industry</td>
<td>2.26</td>
<td>1.022</td>
</tr>
<tr>
<td>18</td>
<td>Telephone banking is one of the technological innovations that dehumanize the work organization</td>
<td>2.01</td>
<td>1.005</td>
</tr>
<tr>
<td>19</td>
<td>Forceful retirement is a consequence of electronic banking in Nigeria</td>
<td>2.01</td>
<td>1.011</td>
</tr>
<tr>
<td>20</td>
<td>Displacement of workers is a resultant effect of electronic fund transfer</td>
<td>2.10</td>
<td>0.970</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2011

The above Table reveals that thirteen out of the twenty items met the 2.5 acceptance mean of effects of e-Banking on workers’ job security in Nigerian banking sector. These items are 2, 4, 5, 6, 7, 9, 10, 11, 12, 13, 14, 15 and 16. They are considered to be effects e-banking has on workers’ job security in Nigerian banking sector. The rest of the eight items: 1, 3, 8, 17, 18, 19 and 20 did not meet the 2.5 acceptance mean of effects of e-banking on workers’ job security in Nigerian banking sector. They are therefore, considered as not being the effects of e-banking on workers’ job security in Nigerian banking sector. More so, the result in Table 2 shows “the adoption of automation process reduces the level of manual procedures” is the most significant
effect, followed by “electronic fund transfer promotes the de-skilling of staff in my bank” and “the adoption of internet banking increases the level of employee’s job insecurity”.

Results of Analysis of Data Concerning the Hypothesis

H0: The adoption of e-banking does not directly leads to loss of jobs and early retirement of employees in banking sector.

H1: The adoption of e-banking directly leads to loss of jobs and early retirement of employees in banking sector.

Table 4: Chi-square test analysis of effects of e-banking on loss of jobs and early retirement of employees in banking sector

<table>
<thead>
<tr>
<th>Item</th>
<th>$X^2_{cal}$</th>
<th>$X^2_{tab}$</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-banking</td>
<td>21.819</td>
<td>7.81</td>
<td>Accept Hi</td>
</tr>
</tbody>
</table>

Table 4 shows the consistency and validity of some survey data using the chi-square test. As the computed chi-square value is greater than the table value at the 5% significance level for all the attributes, we reject the null hypotheses and accept the alternative hypotheses (Kangwa & Olubodun, 2003). This establishes the fact that adoption of e-banking directly leads to loss of job and early retirement of employees in banking sector. The result is statistically significant at $\rho < 0.05$; $X^2$ calculated is 21.819 and $X^2$ tabulated at $\alpha (0.05)$ is 7.81.

Discussion of findings

Electronic banking provides customers with a wide range of financial benefits such as lower transaction handling fees, higher deposit rates, opportunities to win prizes and extra credit card bonus points. It allows customers to save time by conducting their transactions quickly without having to queue up and to use paper documents to mention just a few. E-banking offers customers the opportunity to interchange electronic data as to communicate with bank staff since all important transaction details are laid out at the website.
However, it is evident from the results that adoption of e-banking in Nigerian banking sector reduces the level of manual procedures, most Nigerian banks rely on e-banking services such as internet banking, telephone banking (mobile banking), electronic fund transfer, automated teller machine (e-payment) among others to gain total customers satisfaction and organizational competitiveness. This therefore, corroborates the work of Agboola’s (2001) study on the impact of electronic banking on customers’ services in Lagos, Nigeria and discovered that electronic banking has tremendously improved the services of some banks to their customers in Lagos.

The result shows that adoption of e-banking does not only reduce the level of manual procedures, but also creates greater challenges to job security of employees in Nigerian banking sector. The major hypothesis formulated and tested establishes the fact that adoption of e-banking directly leads to loss of job and early retirement of employees in banking sector. Adoption of e-payment systems such as automated teller machine gave a strong challenge to job security of teller officers in Nigerian banking sector. This corroborates Rifklin (1995), who established that new and more sophisticated software technologies are going to bring civilization ever closer to the new workerless world. He then concludes that information technology has been used to deskill, discipline and displace human labour in a global speed up of unprecedented proportions.

5. CONCLUSION AND RECOMMENDATIONS

The modern day banking services rely majorly on the adoption of information and communication technologies such as internet, telephone, automated teller machine; electronic fund transfer, magnetic ink character reader and other e-payment systems in their day-to-day services to customers so as to remain competitive in the global economy. It is evident that adoption of e-banking in Nigerian banking sector reduces the level of manual procedures, deskill employees as a result of new technological innovations and increases the level of employees’ job insecurity.

Internet or online banking and telephone banking services create challenges to job stability and employment of customer relations officer since most of the information that ought to be provided by the customer relations officer are already available on the bank web site. Adoption of
automated teller machine and others e-payment systems also affect job stability and employment of teller officers in the Nigerian banking sector.

Although, e-banking services enhance customers’ satisfaction and sustainable competitive advantage, efforts should be made by the management of Nigerian banks to ensure that adoption of e-banking does not necessarily leads to direct loss of jobs and early retirement of employees. Also, e-banking should be seen as an option to enhance the service delivery of employees in Nigerian banking sector and not a substitute to employees’ performance. Management should be aware that, for without human resource (employees) performance, other resource accomplishments such as technology, raw-materials, capital and among others will make no meaning. This suggests that e-banking should not be adopted to deskill, discipline and displace human element in global speed up in an unprecedented proportions.
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APPENDIX 1:

Questionnaire Distributed and Returned Percentage.

<table>
<thead>
<tr>
<th>Banks</th>
<th>Questionnaire Distributed</th>
<th>Questionnaire Retrieved</th>
<th>Percentage of Returned</th>
</tr>
</thead>
<tbody>
<tr>
<td>GTBank</td>
<td>100</td>
<td>90</td>
<td>22.50</td>
</tr>
<tr>
<td>ETB Staff</td>
<td>100</td>
<td>79</td>
<td>17.75</td>
</tr>
<tr>
<td>Skye Bank</td>
<td>100</td>
<td>94</td>
<td>23.50</td>
</tr>
<tr>
<td>ECO Bank</td>
<td>100</td>
<td>78</td>
<td>19.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>400</strong></td>
<td><strong>341</strong></td>
<td><strong>83.25</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2011