

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY AND CONCLUSION

The results of the present study enhance our understanding in consumer perception and behaviour in electronic banking. The results revealed on low awareness of electronic banking services among the university students, specifically in the phone and PC banking. Bankers should therefore, evaluate the effectiveness of their advertising and promotion strategies in reaching their target markets. Probably, they had made the wrong assumption that advertisement itself would bring in new customers without providing sufficient customer support to encourage electronic banking services.

There are two fundamental banking services, namely cash deposits or withdrawals and balance enquiry or bank statement. In general, these two services constitute 80 percent of all requests (Enroth, 1996). In this study, we have identified several popular usage of electronic banking services that include cash deposits or withdrawals, balance enquiry, request bank statements, funds transfer and bank information. Since these common services can be handled by electronic banking facility in a more efficient and at much lower cost, it is advisable for the bankers to provide both incentive and disincentive programs to encourage consumers to migrate from the traditional banking to electronic banking. Then the traditional branch can be used to service high-end customers that require personal attention.

To identify the potential market for electronic banking, in particular phone and PC banking, the study seems to indicate the following demographic profile of the early adopters. They are generally Chinese males in their late twenties and early thirties, having higher income level while working as Sales and Marketing, Engineering or Computer Science, and in their Executive or Managerial positions. With such description, it will definitely assist the bankers to formulate the right product offerings and marketing strategies to reach this "ready to buy" market.

From the consumer perception's point of view, the study confirmed that the users of electronic banking emphasized the importance of convenience of location and time, and easy to use devices. The bankers should therefore, allocate more ATMs at strategic locations like shopping complexes, hyper-markets or even office buildings. In addition, bankers should extend the electronic banking hours to 24-hours everyday and at the same time, continuously create user friendly devices that any layman can use without any difficulty.

On the other spectrum, the perceived risk in electronic banking should not be taken lightly. Bankers must continuously reassure consumers of the reliability of its electronic banking services through some form of financial guarantees from Bank Negara or Malaysia should begin its own Federal Depository Insurance Corporation (FDIC) to protect the interest of depositors. So far, the Malaysian government has been very supportive in implementing electronic commerce through its pet project, Multimedia Super Corridor (MSC) by forming legislative framework such as Cyberlaws, Digital Signature Act and Computer Crime Act (Ariff and Goh, 1998) to protect the users from unauthorised access.

The consumer perception on the usage of information technology among university students was quite encouraging with above average answers but sad to say, it was not reflected in the actual usage of computer when almost 85 percent of them claimed to be unfamiliar or not sure with the device. The Education Ministry should heed the warning that our local students are not IT literate enough. Hence, they must revise the curriculum to encourage students to utilise and fully understand the importance of computer or computer related products in the future, if Malaysia wants to be a developed nation by the year 2020.

Finally, the Cluster analysis revealed that those who are more inclined toward the use of information technology such as the pro-IT users and Internet surfers, are believed to be the early adopters of electronic banking. The analysis was supported in the later findings that those who were friendlier toward IT tend to have higher level of positive attitude and lower level of inhibition on electronic banking. Since

electronic banking in Malaysia is currently at its infancy stage, particularly the phone and PC banking, it is important for the bankers to strategize their marketing effort to target the early adopters before reaching the mass consumer market.

5.2 STRATEGIC IMPLICATIONS

The worldwide trend is currently moving towards electronic banking to take advantage of lower operating expenses and providing new services to consumers. As such, electronic banking can be used as a strategy to complement branch banking in providing the convenience of 24-hour banking services, beyond the traditional hour and also providing the convenience of location in meeting customer demands. More importantly, the escalating cost of operating a branch is the motivational force behind the bankers in deciding to substitute branch banking with electronic banking.

Hence, Malaysian bankers should realise the importance of electronic banking in assisting them to compete effectively in an open economy after AFTA 2003. Local bankers will no longer be protected by the government in regulating banking industry and earn supernormal profit. Instead, deregulation would mean that more foreign banks would compete with the local players in terms of lower pricing and better services. In order to survive in this competitive environment, local bankers must automate their unprofitable but important services such as cash deposits or withdrawals, balance enquiries and providing bank statements, to reduce their operating expenses at branch level.

Bankers should therefore, educate and train consumers to adopt electronic banking in particularly PC banking. This is because the findings show that the respondents perceive ATM and PC banking as the more important media to be used in the future. Although they are generally well versed with the ATMs, they are still lagged behind in terms of awareness and the use of PC banking. Thus, bankers must first educate their employees with sufficient information and know-how in order to provide proper training or support to their customers.

Finally, this research has found four distinct groups of IT users who are believed to be the early adopters of electronic banking among the student population. If the same conclusion could be projected to the entire population, then understanding the needs of the various cluster groups is vital for bankers to devise an effective advertising strategy to reach its target market. Moreover, bankers could also devise proper banking products to meet the differing needs of consumers. Even if it could not be projected, the findings are still important since the university students are believed to be affluent consumers in the near future.

5.3 RECOMMENDATIONS

There are several areas where the bankers can increase both product acceptance and sell through its electronic delivery channels:

- The bankers must demonstrate electronic banking media to their customers and not just allowing to try it by themselves. With additional assistance and guidance, Malaysian consumers would be more adventurous to adopt new products at a faster rate.
- There should be some purchase incentives for customers who use the electronic banking facility such as free installation of smart card devices for PC banking and a waiver of any deposit or annual fee for the facilities.
- There should also be purchase disincentive like a small service fee to discourage customers from using the teller service for simple and unprofitable banking transactions such as small amount of cash withdrawals or deposits, balance enquiries and request of bank statements that the electronic banking facility can provide.
- Besides serving its own customers, bankers should advertise more often and create out-of-store awareness among the general public and to reach the new untapped market. Particularly, the advertising strategy must be effective in communicating the right information to the target market.

- More importantly, banks' employees must be trained with sufficient information and know-how to provide valuable support to the new or existing customers of electronic banking.

With these recommendations, hopefully consumers will adopt new electronic banking services, especially the phone and PC banking, at a much faster pace.

5.4 SUGGESTIONS FOR ADDITIONAL RESEARCH

To date, there was only one research done on cyber-banking or electronic banking in Malaysia, as information was not easily available from bankers or financial consultants. In order for more research to be done, Malaysians must first change their mindsets and be more transparent in revealing some information to the public or at least to collaborate with academicians to do more research on electronic banking. Nevertheless, future research may be carried out in the following areas:

- Research on segmented consumer markets based on the various cluster groups to understand their specific needs on electronic banking.
- Research on consumer adoption rate for new technology in banking industry, particularly in the area of customer education and training.
- Research on the effectiveness of bank advertisement in communicating to the target consumer market.
- Research on the impact of electronic commerce on banking industry in Malaysia.
- Research on the impact of electronic payment system or electronic money on banking industry in Malaysia.