

Communities Perception of Electronic Banking in Somaliland

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Introduction

The advancement of telecommunication, increased competition, and globalization have led to changes in banking services and financial services. The emergence of electronic banking is one of these major changes (Madulu, 2014). It facilitates the use of mobile devices, computers, ATMs and other aspects of technology to allow money transfer. In support of this, companies have come up with systems that facilitate electronic banking. These include Telsom, which launched ZAAD in 2009 as the first money transfer system in Somaliland; and Dahabshiil, which launched e-Dahab in 2014. The utilization of these technologies has become popular and has extended from personal use to applications in businesses.

Despite this, some factors have affected the perception or attitudes concerning electronic banking held by the community. The objective of this paper is to analyze the community's perspective on electronic Banking in Somaliland. It analyzes the impact that ZAAD has on the Somali shilling, and the exchange rate. Further, it outlines the improvements that can be implemented within the two systems, and the security, trustworthiness and reliability of ZAAD in the case of collapse. The study comprised of 70 participants from two categories; shopkeepers or owners, and individual members of the community. The research used in the study to collect data was comprised of questionnaires, semi-structured interviews, observations, and review of previously written literature.

Literature Review

Developments in telecommunications have revolutionized the banking industry. In response, the nature of purchasing and selling of services and products has changed (Laukkanen, 2007). Unlike in the past where banks utilized information technology to run their internal

operations, today, banks utilize IT to directly serve and offer services to their customers (Martins, Oliveira & Popovič, 2013, p. 13).

Retail banking is one of the aspects of the banking industry that has experienced innovation and rapid change. This channel has garnered effectiveness from the application and use of information technology (Yu & Guo, 2008, p. 7). There has been an extensive use of mobile banking, ATMs, the Internet, and electronic payments, all facets of electronic banking that are proof of the impact that information technology has on banking.

Electronic banking has brought the banking industry overwhelming benefits, for instance, operation costs reduction (Hosein, 2010, p. 4). Since electronic banking allows the customers to access banking services individually, they have had the opportunity to reduce labor costs, reduce consumable costs, and reduce offices and branches. Further, e-banking allows the banks to acquire more customers (Hosein, 2010, p. 4).

However, questions have been raised concerning the factors that influence customers' perception and decision to adopt electronic banking. Maduku & Mpin-ganjira (2012) found that factors such as security, privacy, usefulness, and trust influenced the perception and eventual adoption of a system. They found that awareness and information about e-banking services improved the perceived usefulness of the banking services among the consumers. Similarly, Frangos (2009) also noted that ease of use and the expected usefulness of the services influenced the perception and eventual adoption of the electronic banking system. However, despite usefulness being a major determinant, trust was raised as an issue that affects the perception of the electronic banking system. Therefore, if consumers do not trust the attributes of the e-banking system, then they do not adopt it (Delafrooz, Paim & Khaib, 2011, p.2839). In line with this,

several studies have indicated that trust, awareness, and ease of use contribute to the consumer's perception and eventual usage of e- banking (Al-Somali, Gholami & Clegg, 2009, p. 137).

Discussion

The findings of this study are based upon extensive semi structured interviews with small business owners, (shopkeepers or owners) and individuals from the community, and questionnaires based upon responses from the same. Structured questions were offered to the participants and both their verbal and non-verbal communication cues were monitored to ensure that a nuanced comprehension of the situation was achieved.

The results of the study indicated that many members of the community own mobile phones and that they have embraced electronic banking technology in Somaliland. From shop owners to individuals, the use of electronic banking and specifically mobile banking was highly evident. Both shop owners and individuals reported using mobile banking to handle business transactions of all kinds and personal transactions, from making business payments to buying petrol, and shopping. However, reliance on ZAAD slanted towards business transactions more than personal transactions.

The individuals who participated in the study implied that a majority of them did indeed own mobile phones and that they used mobile banking in their transactions. They indicated that they use the platform frequently and it was the major form of transaction for the majority of them. The most prevalently used system between ZAAD and e-Dahab is the former. The few who utilized e-Dahab are those individuals who were civil servants because they received their salaries in the form of Somali shilling.

According to most individuals, ZAAD did not ensure saving. This was fostered by the fact that ZAAD did not have policies set up that protected privacy and promoted refunds. However, ZAAD was mostly used to make transfers since a majority of the population in the country was using ZAAD and using a different platform would create problems. This was surprising because the platform used a different tender from the country's legal tender. Consequently, the individuals indicated that indeed the ZAAD mobile transfer system had a negative impact on the exchange rate and the Somali shilling. First, the popularization of the dollar by ZAAD as their legal tender further reduced the portability of the Somali shilling in the country. Thus, its value decreased and the currency further depreciated. Second, the popularization of the dollar further led to increased fluctuations in the exchange rate, making the exchange from one tender to the other very expensive.

The business owners similarly indicated that most of their transactions are done through mobile banking. This implies that most often, no money exchanges hands. The most popularly used system in businesses is ZAAD as well. They also indicated that out of ten customers, a whopping eight customers use ZAAD mobile banking as their payment method. They were pretty certain that ZAAD does indeed make the collection of their money easier for them. Further, the businesses reported that they did not have any issues with the ZAAD mobile banking system conducting their transfer processes since the few issues encountered were quickly sorted. The problem existed however, in the ZAAD e-wallet. Many of the respondents displayed skepticism in saving money in their ZAAD accounts. It was therefore unexpectedly revealed that e-Dahab was a more trusted system for storing money even though it was not particularly utilized in day to day transactions.

It was expected however that the exchange rate affected the price of a commodity if they were purchasing using the Somali shilling. This is because the unexpected fluctuations in the exchange rate, and the depreciating Somali shilling would infer that the business man may incur a loss as they went to exchange the tenders. Therefore, it was not surprising that the prices changed according to currency.

Conclusion

In conclusion, this study has found out that the community's perceptions towards electronic banking are positive. They have embraced the technology almost wholly and utilize it to run day to day transactions. In order to improve their trust ZAAD ought to create stricter privacy and refund policies so that the community can embrace every aspect of their services. On the other hand, there were limitations to the study, in that it did not cover a large scope of the demography. Therefore, in order to improve the research process and expand the diversity of answers, the research could have involved individuals from different locations in the state. This would increase the autonomy of the responses and give the study a national representation of perspectives.

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