LITERATURE REVIEW

Some preliminary works on e-business and banking have been made through using data analysis. This literature review was also conducted to help put the research methodology in a better conceptual framework. In this regard the review focused on: the evolution and definition of e-business; processes of e-business adoption; benefits, barriers and challenges to e-business adoption.

E-Business probably began with electronic data interchange in the 1960s (Zwass, 1996). However, (Melao, 2008) suggests that it was only in the 1990s, primarily via the Internet, that e-Business has emerged as a core feature of many organizations. In his opinion, the hope was that e-Business would revolutionize the ways in which organizations interact with customers, employees, suppliers and partners. Some saw e-Business as part of a recipe to stay competitive in the global economy.

The term “e-Business” has a very broad application and means different things to different people. Furthermore, its relation with e-commerce is at the source of many disagreements. (Melao, 2008). A more comprehensive definition of e-business is: “The transformation of an organization’s processes to deliver additional customer value through the application of technologies, philosophies and computing paradigm of the new economy.” In a simple sense, E-Business can be defined as, “the organized effort of individuals to produce and sell, for profit, products and services that satisfy society’s needs through the facilities available on the Internet” (Brahm Canzer, 2009)

Some authors view E-Business as the evolution of e-commerce from the buying and selling over the Internet, and argue that the former is a subset of the latter. (Turban et al., 2006). Others defend that, although related, they are distinct concepts (Laudon and Traver, 2008). Others use both terms interchangeably to mean the same thing (Schneider, 2002). (Kalakota and Robinson, 2000) proposed a definition of e-business that clearly stresses the difference between e-commerce and e-business. More precisely they assume that “e-business is not just about e-commerce transactions or about buying and selling over the Web; it is the overall strategy of redefining old business models, with the aid of technology, to maximize customer value and profits”. Kalakota and Robinson’s definition is of great importance because it describes e-
business as an essential business-reengineering factor that can promote company’s growth.

According to (Melao, 2008) the clear commonalities among these definitions, include the improvement of business processes and the use of ICT in intranets, extranets and the Internet to conduct business. He defines e-Business as the use of ICT as an enabler to (re)design, manage, execute, improve and control business processes both within and between organizations. Thus, front and back-office integration and multi-channel integration become crucial in e-Business, which requires a challenging process improvement approach to support the necessary organizational, technological and social changes.

The article published by Rahmath Safeena, Hema Date and Abdullah Kammani in January 2001, states that, the various areas where the banks are preparing to use e-business approach include familiar and relatively mature electronically based products in developing markets, such as telephone banking, mobile banking, credit cards, ATMs, and direct deposit. This means that most of the banks have recognized the need to change their business process to conform to changing business trends in order to keep up with competition.

The customers are using net banking, to pay the utility bills, insurance premium, to book orders online, to book railway tickets also to book flight tickets, purchasing the products online using net banking or online banking (e-banking), credit cards, debit cards or smartcards also.

The development in the e-business however means that an increasing number of jobs are being changed from traditional tellers to branch advisors/ counselors. Bank staff is increasingly asked to provide highly qualified financial advice rather than perform simple teller functions. By using intranet the communication is very fast in the banks. The banks can handle their transaction very fast online, using e-banking.

Electronic business methods enable companies to link their internal and external data processing systems more efficiently and flexibly, to work more closely with suppliers and partners, and to better satisfy the needs and expectations of their customers. E-Business refers to more strategic focus with an emphasis on the functions that occur using electronic capabilities. (Yen-Yi, 2006)
In the article published by Windrum, and De Berranger in 2002 focussed on the integration of the internet and related ICTs into the business organization forming e-business. It has two facets. One is the integration of the supply chain so that production and delivery become a seamless process. The other is the creation of new business models based on open systems of communication between customers, suppliers and partners. Where the integration of the supply chain provides increased efficiency and significant cost advantages through waste minimization, the development of new products and services are facilitated by new ways of conducting business based on internet working between organizations and individuals.

The Stages theory has been widely used as a way of examining the adoption and progression of various aspects of electronic business in organizations. The main assumption of the Stages theory is that organizations progress towards electronic business through a number of clearly defined and successive stages or phases. Each adoption stage or phase is characterized by the existence of distinctive applications, benefits and problems while it reflects a particular level of maturity in terms of the use and management of Information Systems and Information Technologies (Taylor and Murphy, 2004).

Within the Staged adoption models, early stages of electronic business adoption are typically characterized by gaining access to the Internet followed by the use of relatively simple applications, such as electronic mail (e-mail), in order to dispense and gather information. Later, the business starts to publish a wider range of information in order to market its products or services and perhaps provide after-sales support. The deployment of electronic commerce practices comes next, allowing the users of the corporate site to order and/or pay for goods and services. In the most mature stages, the corporate website is fully integrated with the various back office systems such as enterprise resource planning (ERP), customer relationship management (CRM), and integrated supply chain management (SCM) applications (Mendo and Fitzgerald, 2005).

Electronic business can be approached in many different ways, depending on the specific business process that might be carried out through the Internet. Thus, several Internet usage profiles or approaches are possible. A company must determine which
profile or combination of profiles best suits its particular business context and strategy (Mendo and Fitzgerald, 2005).

According to Basu and Muylle (2007), companies can gain two fundamental types of benefits from e-Business. These are generally described as: Value Creation or Value Enhancement for one or more of a company’s stakeholder groups; and Lower Cost of providing goods and services to the market place. Examples under Value Creation include Improvement in internal and external communication through effective e-marketing, Increment of sales through an e-commerce website integrated with a back office systems and Improvement in supplier relations and productivity through collaborative workspaces (Basu and Muylle, 2007). And examples under Lower cost are: reduction in communication and travel costs using online meeting tools; shared workspaces and; benefit from license free open source alternatives to proprietary software.

In banks the online banking facility allows the customer to check their balance or pay a bill at any time of the day or night. The services offered by online banks typically include (David Whiteley, 2001)

- Online balances and statements giving up-to-the-minute information. The statement can be used to check that any a specific debit or credit has gone through;
- Credit transfers so that bills can be paid online. Included, is the facility to set up a transaction now for the bill to be paid at a later date;
- Maintenance of the standing orders and direct debits

Businesses also see tremendous opportunities for cost saving, revenue generation, increased market share, marketing and market access, and improving customer service through direct links that facilitate speedy enquiry and feedback. Similarly, consumers can inter alia, access the world market through the virtual economy on the Internet, choose from a wider variety of products, and shop in the comfort of their homes. Globalization and specifically liberalization of communication networks have all facilitated this break-through that further presents a massive boost for international trade (A. K. Sohani, 2009).
Windrum and Berranger (2002) suggest that the commercial benefits of e-business lie in five areas. Firstly, firms are able to expand their geographical reach. Secondly, important cost benefits lie in improved efficiency in procurement, production and logistics processes. Thirdly, there is enormous scope for gaining through improved customer communications and management. Fourthly, the Internet reduces barriers to entry for new market entrants and provides an opportunity for small firms to reorient their supply chain relationships to forge new strategic partnerships. Finally, e-business technology facilitates the development of new types of products and new business models for generating revenues in different ways.

According to Windrum and Berranger (2002) it is hypothesized that many of the factors affecting the successful adoption of new technologies such as e-business are generic in nature and that the successful adoption of internet technologies in part depends on how these are used in conjunction with the other technologies and management practices that form a ‘technology’ cluster.

Wang, Lin and Tang in 2003 claims that in the 1990s e-banking was under-utilised as business organisations used it only to market their products and services. Thornton and White (2001), examined customer orientations and usage of financial distribution channels in the Australian financial industry, found that more recently most financial institutions, faced with competitive pressure after the introduction of deregulation in 1983, have rethought their strategies to take full advantage of IT. Rafiu (2007) opines that the challenge to expand and maintain banking market share has influenced many banks to invest more in making better use of the Internet. The emergence of e-banking had made many banks rethink their IT strategies in competitive markets. This findings suggest that the banks that fail to respond to the emergence of e-banking in the market are likely to lose customers and that the cost of offering e-banking services is less than the cost of keeping branch banking.

Karjaluoto in 2002 indicated that banks have the choice to offer their banking services through various electronic distribution channels technologies such as Internet technology, video banking technology, telephone banking technology, and WAP technology. They also indicated that Internet technology is the main electronic distribution channel in the banking industry. In other words, e-banking as an online
banking that involves the provision of banking services such as accessing accounts, transferring funds between accounts, and offering an online financial service.

Ayo (2006) investigated the prospects of e-commerce based on ability, motivation and opportunities (AMO) model and observed that virtually all companies have online presence. The paper reported the motivation and opportunities for e-commerce as low based on lack of e-Payment infrastructure and access to information and communication technology (ICT) facilities.

Chiemeke (2006) conducted an empirical investigation on adoption of e-banking in Nigeria. The study identified the major inhibiting factors to Internet banking adoption in Nigeria such as, insecurity, inadequate operational facilities including telecommunications facilities and electricity supply, and made recommendations on how Nigeria banks can narrow the digital divide. Also, the report revealed that Internet banking is being offered at the basic level of interactivity with most of the banks having mainly information sites and providing little Internet transactional services.

It is to note that there are some barriers to e-business adoption. Common barriers include: unsuitability for the type of business; enabling factors (availability of ICT skills, qualified personnel, network infrastructure); cost factors (ICT equipment and networks, software and re-organization); security and trust factors (security and reliability of e-commerce systems, uncertainty of payment methods, legal frameworks and Intellectual Property Right); and challenges in areas of management skills, technological capabilities, productivity and competitiveness. Lack of reliable trust and redress systems and cross-country legal and regulatory differences also impede e-business adoption. The barriers to e-Business adoption work differently according to organizational type and culture. Areas of training and people development need to be addressed. (Aranda-Mena and Stewart, 2005).

Many writers of e-Business and e-commerce extol the enormous potential and opportunities provided for consumers and businesses globally. However there are some drawbacks and the benefits to be derived tend to be overstated. Many managers and investors are facing strong pressure to answer the question of whether and how e-business investments create business value, because it is not clear to them how this
value is created, and what are the factors that shape that value, also which of them are most important (Alawneh A., and Hattab E 2009).

While many commentators hold the view that e-commerce has many advantages for developing countries, the African continent has a number of major challenges to overcome before it can more fully exploit the benefits of e-commerce. A number of constraints, specific to doing e-Business in Africa, are apparent (Akoh, 2001). These include but not limited to the following: Low level of economic development and small per-capita incomes; limited skills base with which to build e-commerce services; the number of Internet users needed to build a critical mass of online consumers and; lack of familiarity with even traditional forms of electronic commerce such as telephone sales and credit card use.

Perhaps one of the greatest constraints to the adoption of e-Business as a means to generate efficiencies is a cultural reluctance to interface with buyers and suppliers electronically. Such challenges remain major obstacles, limiting the potential benefits of e-Business (Akoh, 2001). Other challenges are the cost of implementation, security concerns, perceived customer readiness, lack of knowledge of IT and e-Business, the relatively high costs associated with investments in ICTs, the lack of technical and managerial skills and reluctance on the part of companies to network with other enterprises and lack of executive support and concerns regarding the reliability of technology (Department of Enterprise, Trade and Employment, 2004).

Simone Westerfeld [38] analyses the impact of ICT on the value creation system of loans and its respective business models and focuses on credit risk management of commercial banks.