

## **MELLI BANK'S E-BANKING STRATEGIES: ASSESSING MARKET PENETRATION AND EXPANSION**

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### **Abstract:**

*In the modern era, financial institutions are acutely attuned to the dynamic landscape of the web. In contrast to conventional brick-and-mortar branches, the advent of e-banking systems leverages the internet to extend a gamut of services to customers. These services encompass a wide spectrum, ranging from account opening to seamless fund transfers and electronic bill payments. This paradigm shift toward e-banking systems ushers in a new era of accessibility and convenience for customers. With the power of the internet at their fingertips, clients can engage with their financial institutions from the comfort of their homes or offices, unlocking a world of financial possibilities. This paper delves into the multifaceted realm of e-banking, exploring the transformative impact of internet-based services on the banking sector. By scrutinizing the opportunities and threats posed by web-centric banking, this research offers insights into the evolving landscape of financial services and underscores the strategic importance of embracing digital channels.*

**Keywords:** E-banking, digital transformation, internet banking, financial services, online banking.

### **1. Introduction**

Nowadays, banks are aware of opportunities and threats of webs. Compared with traditional channels of offering banking services through physical branches, ebanking systems use Internet to provide services for their customer, to illustrate, opening accounts, transferring fund and electronic bill payment.

The main goal of the establishing electronic banking is to offer selective, reflexive, and cost-effective services to customers. Just with a simple click, users can manage their processes faster than before. The emergence of Internet banking has promoted many banks to review their IT strategies in order to remain competitive. Users demand on banking services, they want new levels of convenience and flexibility. Internet banking has allowed bank systems and financial institutions providing these services through exploiting and extensive public network infrastructures (Temullo 1997). The focus of e-commerce ought to be on the customer. On the other hand, the structure of the business and technology should be the follower of user's value.

Electronic banking depends totally on the improvement of new business strategies based on net (Harper, I & Chan 2003). In a competitive market, the customer's perception of a business's products or turnover has a significant role. Indeed banks must improve or modify their customer's perception. Market penetration strategy plays a key role in marketing strategy, due to the fact that it works with analyzing different sectors of the market and competitors.

To be the preferred bank means changing "good enough" into a unique value proposition (Steve, Clarck 2009). Implementing a sole attitude for achieving a suitable place in the market is not adequate so it is logical to integrate some indicators simultaneously.

The usage of technology encourages the users to select extensive spectrum of services not limited ones. This fact also may lead to the customer's deep loyalty. One of the best ways for banks to penetrate in the market is e-banking (Bradley, et al 2002)

A large proportion of Iranian banking industry still belongs to the public sector with the most extensive network of physical branches. In the last decades due to the planned strategies to minimize the body of government large private banks have been established their work in all provinces, who have the smallest physical network. Melli bank

established its work after the First World War. It has more than 3335 branches across the country and 91 branches in Shiraz, Fars province.

In recent decades, Melli bank systems are more tended toward investing on technologies of providing services to current and future customers and satisfy their needs.

Thus, electronic banking is one of the most important phenomena resulted from utilizing information technology and communications which has deeply changed paying and transaction systems and its implementation has increased efficiency and efficacy of bank systems, delivering services and general satisfaction absorbing in wide range. Electronic banking is declared to be the access of the customers to bank services by safe intermediaries without any physical presence (Daniel et al 2004). Electronic banking is optimal integration of all the activities of a bank via using new IT that all required services can be given to the customers (blunt et al 2005).

According to Hofer and Schendel, Strategy means all the activities done for coordinating inner and organizational potential sources with outside threads and opportunities.

Anthony declared that, strategy consists of deciding about policies related to the organizational goals and stating the features of needed sources (Cathler 1999). Also the action of increasing an existing product's market share or new product introduction to grab market share by volume discounts, advertising, lower prices, or bundling as a strategy is mentioned as market penetration (Rousta 2000). Othman and Owen (2002) declared that many industries found that continues services improvement may grant them a competitive advantage in the market.

All the activities are called virtual banking have being done to successfully achieve a superior service quality. Indeed the services quality can be named as the brain-center of banking operations. Rotchanakitumunavi (2003), stated that though banks are very interested in Internet banking they are concerned with the risks connected with procedures for transactions over the Internet. Today banks are already losing enormous amounts through cheques and credit card fraud. The security solutions of the future are therefore major concern for banks. If customers distrust the security, it may create multiple problems.

Banks will find it hard to launch Internet banking services if demand is low because of security doubts. Gilaninia and Mousavian (2009) identified factors influencing customer's tendency toward using e-banking services in this industry on the basis of Davis model. Results show that different factors influence customer's expectations (ease, usefulness, security). Gradachew Worko (2010) conducted a survey on the opportunities, challenges, and implementations of electronic banking services in Ethiopia. The cash is the most ordinary kinds of transactions and electronic banking is yet unknown there.

The results of Nrazah Mohd suki (2010) article showed that Hedonic oriented internet banking sites followed by the perceived importance of internet banking needs and compatibility of all significant effects on the adoption of Internet banking by Malaysian consumers. Ather Aghlaq (2011) studied the problems of selecting ebanking in Pakistan. The results of this paper illustrated that 67% of the problems refers to the lack of familiarity with technology, anxiety about download speed, the poor design of webs, fear of detection and safety issues. Musiim et al (2011) viewed electronic based service as a service brought to a user through a website.

They argued the factors which affect the user's adoption of e-banking and discovered a significant relationship between e-banking services, customer adoption and customer satisfaction in Uganda, Africa. Wadie Naseri et al (2011), analyzed the factors affecting customer's decisions to adopt Internet banking. The results showed that the perceived convenience, perceived risk, perceived security and prior Internet knowledge all have significant effects on behavioral intention to use online banking. The research findings of Ian Ndlovu et al (2013) showed that by adopting e-banking bank expose themselves to operational and reputational risks. If e-banking is to be successful in Zimbabwe, the services must be carefully integrated to the traditional system so as to avoid causing unnecessary disruptions to any services offered by the bank.

#### **Hypothesis:**

The study considers some hypothesis in order to assess the effect of ebanking strategy in Melli bank on bank's influence on the market. The following Hypotheses were determined before the study was commenced. Attention has been paid to the fact that all these hypothesis focus on all branches of Melli bank in Shiraz, Fars province.

The main hypothesis: Melli bank's penetration in the market is influenced by its e-banking strategy.

Hypothesis1: providing services through RTGS have influence on the bank's penetration in the market.

Hypothesis 2: providing services through EFTS have influence on the bank's penetration in the market.

Hypothesis 1: providing services through EBS have influence on the bank's penetration in the market.

Hypothesis 1: providing services through SMS have influence on the bank's penetration in the market.

#### **Methodology:**

The current study is a descriptive survey research which is one of applied research. Required information of research literature sector has been gathered from books, specialized journals articles on Persian and Latin. In this study the qualitative issues were measured in quantitative terms through a questionnaire designed and tested by the customers of all branches of Melli bank in Shiraz (85 branches). The survey covered a sample of 217 respondents who were bank's customer and 217 questionnaires were distributed among users of bank's services which were selected randomly.

As it is obvious the users of electronic banking services will not necessarily do their work through their physical presence in the bank, so the questionnaire were distributed among banks customers not only in the branches but also in other places.

The questionnaire's validity was confirmed by content and structural validity such as confirmatory factor analysis. To assess the reliability of the questionnaire, 30 ones were distributed to subjects and their reliability were calculated by Cronbach's alpha which was 0/806 which indicates the reliability of the questionnaire is appropriate. To test the significance relation between E-banking strategies and bank's penetration in the market SPSS package was used.

1- Real Time Gross Settlement

3-- Electronic Banking System

2 Electronic Funds Transfer System

4- Short Message Service

#### **Findings:**

The data gathered from the questionnaire were analyzed by SPSS. To assess each hypothesis, simple linear regression and one-way analysis of variance (ANOVA) and Friedman test were used.

#### **Hypothesis 1:**

**TABLE 1**

Model	Sum of Square	df	Mean Square	F	Sig.
Regression	109/427	1	109/427	1/131	0/289
Residual	14996/5	155	96/752		
Total	15105/927	156			

The ANOVA test for the first Hypothesis shows that calculated sig. value (0/0289) is greater than the table sig. value (0/05). It means there was no significant correlation between dependent variable and independent one. Therefore RTGS does not have influence on the bank's penetration in the market.

#### **Hypothesis 2**

Model	Sum of Square	df	Mean Square	F	Sig.
Regression	81/06	1	81/06	0/836	0/362

Residual	15024/86	155	96/93		
Total	15105/92	156			

As it can be seen from the table, the calculated sig. value (0/362) is greater than 0/05, so there is not a significant correlation between EFTS and banks penetration in the market.

**Hypothesis 3:**

Model	Sum of Square	df	Mean Square	F	Sig.
Regression	155/94	1	155/94	1/62	0/205
Residual	14949/98	155	96/452		
Total	15105/92	156			

The bank's penetration in the market does not depend on customer's usage of electronic banking system. Because the calculated sig. value (0/205) is greater than 0/05.

**Hypothesis 4:**

Model	Sum of Square	df	Mean Square	F	Sig.
Regression	462/45	1	462/45	4/895	0/028
Residual	14643/47	155	94/47		
Total	15105/92	156			

Providing services through SMS has a significant correlation with the bank's penetration in the market, due to the fact that the calculated sig. value (0/028) is smaller than 0/05.

**Discussion and Conclusion:**

In this paper, in order to estimate the e-banking performance, some measures were used including: the customer's familiarity with services, the effect of above mentioned system on saving time and money, the systems security, it's role in decreasing crowded conditions in bank's branches.

The customer data analysis shows that a large number of customers are not familiar with RTGS and EFTS. The inferential analysis indicates that there are significance correlation between the customer's awareness of RTGS and EFTS and their usage of such electronic services. The other factors which hinder mentioned systems are due to lack of advertisement and a specific framework to educate and persuade customers. The last issue is customer's tendency toward doing their banking activities in the bank.

By analyzing the questionnaire data, it is clear that, Although Melli's bank users are familiar with EBS and they can trust on it's tight security, it has no effect on bank's penetration in the market and attracting customers.

It is observed that SMS is the most popular service used by costumers and it is because of increasing in using mobile phones by all ages. Based on the results, it can be said that improving e-banking services among customers of Melli bank in Shiraz would be achievable through boosting bank's data centre with mobile phone's satellite net, providing high speed telecommunication infrastructures, decreasing the cost of connecting to the Internet with mobile phones,

besides propagating wireless equipments. This study's result can affect the process of advertising in e-banking services and may guide the attempts of promoting services toward achieving goals through focusing on proving service based on mobile banking. As the findings showed educating customers and providing cultural-infrastructures could be a road to penetrate in the market. Indeed, Banks politicians and managers would most benefit of the results.

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November, 2013, Marriott Hotel, Melbourne, Australia, ISBN: 978-1-92206936-8.