Title: Internet Banking in Sweden: An Exploratory Study on its Symbiotic Benefits.

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Abstract

Purpose – The growing importance of use of Internet banking as another service delivery channel by banks to their customers lead to a number of supposition and deductions been made on the value creation of Internet banking and its extent of use. In the light of this, a profound and comprehensive study was conducted with the aim to first, determine the extent of use of Internet banking in Sweden, second, to validate the conjecture and the anecdote inferences that Internet banking provides values to both the bank and its customers.

Design/Methodology/approach - To test the validity of the conjecture and the anecdote inferences made over the years, the author use data collected in two folds. One set was collected from financial institution “the big four banks” and the other set from 60 bank customers out of the 90 questionnaires administered.

Findings - The results provide first, evidence of the high rate of adoption of Internet banking in Sweden, second, the values the banks and its customers have enjoyed since the advent of Internet banking.

Research limitations/implications - Although this exploratory study approach may have validated the proposed model, further research into other cities is required to generalize these findings as this study has the limitation of using only Stockholm and the number of respondents used.
Originality/value - The findings contribute and support several other studies that pointed to the fact that use of Internet banking channel of delivery is on the increase, and its value creation far exceed all other service delivery channels; provide critical implications for managers of financial institutions, Internet service providing firms, government and highlight directions for future research.

Keywords Internet banking, Online banking, Service delivery channels, Technology-based, Enabled-services

Paper type MBA thesis

Objective
“It is to determine the extent of use of Internet banking in Sweden and how Internet banking creates values for the banks and their customers”.

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1. **INTRODUCTION**

Who among us today would have believed twenty years ago that we could be in the comfort of our houses, or be somewhere miles away from our abode yet we will be able to carry out financial transactions, such as the paying of bills or the transfer of money from one account to the other. I am sure that in the bottom of our hearts at that time, nobody would have thought this could be possible. Today, it is no longer if it is possible but it is happening. Close to the end of last month, I was somewhere in London for an official duty, while the month was ticking by. That idea of how do I pay my bills as at when due was no longer there. The fear of been penalized for late payment of bill was a forgone thing. On the other hand, the stress of which of my friends should I call to pay the bill on my behalf such that I will reimburse him on my return. All these have been made possible by a special type of technology termed technology-based enabled service.

Technology like every other system used by man equally has its pros and coins. Its negative impact on the environment of recent is calling for a greater attention in man’s pursuit for green and sustainable environment but its advantages of bringing comfort to the life of man far outweighs its disadvantages. The advantages of technologies are widely noticed in every aspect of man’s life. They are so numerous that one would wonder what this life would have been like if there were no technology.

Technology has evolved to improve the living standard of man. It has brought what many will refer to as life of “press button”. That is a situation where all you need to do to carry out a
task is just to push a button in a remote controller and the said task is accomplished. A life of press button is the “in-thing” today. Life of press button is witnessed within and outside our houses today. An example of life of press button was acknowledged by ISA (2007) when it reported, “Some Swedes can now come home to fully connected homes, where the gas and water supplies switch themselves off when they leave the apartment”. Alternatively, the owner can switch on house heater while been held in traffic on their way home from work.

1.1 Effect of Technology

A numerous life-made easy technologies have evolved with time. One of such is the technology-based enabled-service. In this type of service, technology is not only helping you to live a life free of hassles, it has brought into existence a situation whereby products try to differentiate themselves from competition through giving services as overall packaged (Gronroos, 1989).

Technology-based enabled-service has brought a situation whereby the traditional distinction between products and services are no longer explicit (Osarenkhoe, 2006) neither is it possible to distinguish between the firms producing products and those rendering services as most firms now offer both (Gronroos, 1997). Rather than have distinction between products and services, what you now have is a continuum of different product-service combinations remarked Gronroos. Osarenkhoe (2006) argue that the blurring of the distinction in contrast to, as it was in the past would likely result in gaining market competitive advantage by the firms. Technology would play a major role in this continuum of products and services. Parasuraman et al, (2005) stress that technology
would continue to play vital role in the delivery of services while Osarenkhoe & Bennani (2007) on their part emphasize that technology would constitute a crucial component in the customer–firm interactions. The resultant effect will be an increase in customer interactions with technology interface. This new trend will see the replacement of the traditional marketplace interaction by a market space interaction proposed by (Rayport and Sviokla, 2002). This market space interaction will give rise to either technology-based assisted-service or technology-based self-service.

Technology-based assisted-service is the type where the service activities are carried out for the client by the supplier of the service, and the other type called technology-based self-service, is the type where the client on his or her own operates the system to achieve the purpose. Jun and Cai (2001) refer to this self-service technology as personalisation and Walters and Lancaster (1999) called it self-help. This technology-based self-service according to Meuter, et al, (2000) would be a key criterion for long-term business success as it is today in Sweden. Technology-based self-service has greatly gain wide acceptance in Sweden possibly due to Sweden’s forefront position in technological development.

Back in the late nineteenth century, Stockholm was one of the first cities to provide its habitants with a home telephone service and the Nordic Mobile Telephone system (NMT) was the first international mobile phone network (ISA, 2003). The use of and the wide acceptance of technology-based self-services are heavily noticed in many businesses in Sweden. This includes the use of mobile phone technology to pay car park bills, the present government
openness of ensuring the citizens interact with almost all government agencies via email and internet (ISA, 2003) is an indication. Examples of this type of self-service in Sweden are online tax return, online visa application among others. A report by Cap Gemini Ernst and Young 2003 curled from ISA (2003) states that 12% of total government services in Sweden are online, and 86% of public service providers have some kind of online services. The online services could be in the form of self-service, where the client has the opportunity to carry out services offered to him by himself or otherwise. Other technology-based self-services available today in Sweden include ATM, Phone and Online banking. Banks in Sweden are some of the public service providers that offer their services via online called Internet or online banking.

The traditional branch-based retail banking though remains the most widespread method for conducting banking transactions in some countries until date (Wang et. al., 2003), but in Sweden, the trend is different. According to Nielsen Net Ratings of October 2002, over 51% of the population, spend more than an hour logged on to banking sites every month, thus making Sweden the country with the highest user of Internet banking followed by Australia with a figure of 39% (ISA, 2003). Furthermore, another 2003 report by Nielsen Web rating states that 76.9% of Swedish households are connected to the Internet compared to 63.3% of the United States. Internet technology is rapidly changing the way personal financial services are being designed and delivered. In some parts of the world, like Taiwan as observed by Wang et al (2003) commercial banks have tried to introduce Internet-based e-banking systems to improve their operations and reduce costs, yet it remains unnoticed by customers and it is still very much
under utilized. This is not the case in Sweden. There is rapid growth in the use of Internet banking which may have been due to the increase in home PC, electronic communications and transactions are secure; the origin of messages can be verified and accepted as legally binding; personal privacy can be protected (Yan and Paradi, 1998), Sweden’s foremost position in technological development in the world (ISA, 2002).

Internet banking came into existence in Sweden in 1996 (SBA, 2003), like every other online services in Sweden, it has since its inception in 1996 gained large prominence. Its prominence may have been because of the attention it attracted from researchers, the huge initial investments it attracted (Wang et. al., 2003) and the high level of technological development in Sweden. The growth of electronic commerce as a whole speaks volumes about the potential growth for Internet banking in particular (ISA, 2003). It is reported that over 60% of banks customers uses internet banking in Sweden (ISA, 2003, Ed.11), while recent figure by fineextra (2004) reported that 85% of the Swedish population uses Internet banking. In the face of this conjecture and anecdote inference, this paper shall carry out an exploratory study of internet banking in Sweden vis-à-vis the extent of use of Internet Banking in Sweden and how Swedish banks use IT to create value for themselves and their customers and conclude by examine if internet banking is a welcome development or not.

1.2 THE STRUCTURE OF BANKS IN SWEDEN

The banking sector occupies a pivotal position in the global economy (Jayawardhena and Foley, 2000). Bank is defined by (SBA, 2004) as an efficient and reliable system for
saving, financing, mediating payments and controlling risk. SBA (2004) observes that the banking sector is vital for the well-being of the Swedish economy not only for the above-numerated functions it provides, also because about two percent of the country working population are gainfully employed in the banking sector. At the end of 2003, banks in Sweden accounted for 39% of the total capital employed in the financial market.

The financial institutions in Sweden have witnessed important changes—both regulatory reforms and technological changes. Such changes have made the banks and insurance companies to move into each other’s areas of operations and more and more customers of the banks are banking via the Internet or the phone (SBA, 2004). The banking sector has laws put in place to regulate its activities like every other businesses.

In Sweden, we have the Riks bank as the apex bank charged with the responsibility or the role of maintaining price stability, promoting safe and efficient payment system for macro-economic development among others. The Riks bank is under the jurisdiction of the Swedish parliament. It works together with the Finansinspektionen to regulate the financial institutions. The Finansinspektionen that is under the jurisdiction of the Finance Ministry is responsible for issuing detailed regulations for the financial activities of the banks, and ensuring their compliance with the issued regulations.

There are four main types of banks in Sweden. They are the Savings banks, Co-operative banks, foreign banks and commercial banks. In 2003, according to Swedish Financial
Supervisory Authority (Finansinspektionen) report, extracted from (SBA, 2004) the number of banks was 127. These banks could equally be divided into three categories based on size. The largest are classified as the "big four" banks: Swedbank AB, Svenska Handelbanken AB (Handelsbanken), Nordea and Skandinaviska Enskilda Banken (SEB) account for over 80% of the total assets on the banking market (SBA, 2004). The second category is the many smaller banks and the third category is the niche banks formed in the last few years. Since the "big four" banks account for over 80% of the total assets of the banking sector, they shall be the searchlight for this exploratory study.

1.2.1 The "big four" banks in Sweden.

Nordea
This bank is one of the largest financial enterprises in the Nordic region. It operates like the other "big four" banks in Finland, Denmark, Norway and Sweden. It is one of the major players in fund management and mortgage credits. The bank acquires and runs a special payment account called Post giro. This special payment service account is used by the other banks in Sweden. Nordea bank acquired this Post giro account in 2001. Nordea has 1,038,000 Internet banking customers (ISA, 2002).

Skandinaviska Enskilda Banken (SEB)
This bank is called SEB for short. SEB though has extended its area of operations to other countries like Germany, where it acquired BFG bank; the bank has a strong position in fund management, life insurance and finance company sector. Its traditional form of operation includes stock market and currency trading. Sixty-five percent (65%) of SEB customers use Internet banking (ISA, 2002).
**Svenska Handelsbanken (SHB or Handelsbanken)**

This bank expanded into the Nordics in the 1990s via acquisition. It presently boasts of over 450 branches in Sweden alone. Thirty percent (30%) of its private customers use Internet banking while 50% of Handelsbanken corporate customers use Internet banking (ISA, 2002). Its area of operations is fund management, life insurance and finance company sector.

**Swedbank**

This bank has recently changed its brand name from ForeningsSparbanken to Swedbank. It came into existence in 1997 following the merging of Sparbanken Sverige and Foreningsbanken. The bank has over 510 branches in Sweden and work closely with Sweden’s independent savings banks. ISA (2002) showed that Swedbank has 1,158,000 Internet bankers. It presently owns shares in most of the savings banks it works closely with.
Chapter 2

LITERATURE REVIEW

2.1 The Changes in the Banking Sector

Banking sector all over the world have been subjected to a number of changes in recent times (Nellis, 1998; and Rajan, 1998). These changes in banking structure and functions could have been because of both internal and external forces – deregulation (economic reform) and technological development. Both have had great impacts on the structure and functions of the banking sector globally (Carlson et al, 2000). Sweden has not been left out of the economic reform that follows the global economic recession of the 1990s. The success or failure of the banks depends on how well the management is able to anticipate and respond to the regulatory reforms and the technological development changes.

The banking sector globally in general and Sweden in particular have continued to witness more regulatory reforms in response to past recession, just as it is witnessing structural and functional changes resulting from technological development. These unavoidable developments in technology have profound implications for the kind of products and services that business will provide and how they are delivered (Mols, 2000). The banking sector lies at the vanguard in adapting to the changes in technological development in terms of society’s needs. Bednar, et al. (1995) states that technological changes are likely to have the greatest impact on the banking sector over the next decade. Confirming the impact, technology will have in the future on the banking sector, Mols (2000) posits that technology is likely to be a key factor driving change within the banking sector for the foreseeable future. Gandy (1998) argues that
developments in technology have dominated the revolution in the banking sector during the last decade. Technology has facilitated the proliferation of new products and services supporting new consumer demand (Jayawardhena and Foley, 2000). They went ahead to stress that technology is frequently touted as a, if not the, key element in the formulae for productivity and profitability in the 1990s and beyond. The new technologies that have brought changes in banking pattern include smart cards, automated teller machines (ATMs), telephone and Internet banking among others.

Internet at its inception in the 1990s was seen as a technology that would dramatically change bank marketing (Ghorab, 1997) in the same way it has affected other sectors or business in terms of information gathering, vendor support and in the selling of products and services (Kambil, 1995). Yan and Paradi (1998); Kannan (2004) refer to Internet banking as simply adding another delivery channel for remote banking to existing channels such as automated teller machines (ATMs) and telephone banking. There was reluctance on the part of the customers to embrace it at inception simply because there was this thinking among customers that their personal information could not be protected most especially when no government regulations were in place to monitor different activities on the Internet (Yan and Paradi, 1998).

The advent of cheap Internet and high-speed access undoubtedly became the turning point of Internet banking (Kephart, 2007). There is been a great change in the pattern and trend of carrying out banking transactions. Internet banking refers to banking transactions carried out between banks and their clients through Internet (Peterson, 2000). It is also commonly
known as online banking. Internet banking helps in expediting banking transactions, reducing the cost and ensuring that you can utilize various banking services in your living room or even while travelling thousands of miles away from your home (Peterson, 2006).

2.2 **Impact of Internet on Bank Marketing**

Large attention have been drawn to Internet banking by researchers as noted by Wang et al (2003) when they argue that the explosion of internet usage and the huge funding initiatives in electronic banking have drawn the attention of researchers towards internet banking. The growth in the use of, and the interest in Internet have lead to the belief among many Internet analysts that it is having or will have profound impacts on the way service firms such as financial service firms will do business in the future (Dannenberg and Kellner, 1998). Mols (2000) on his part aver that internet is believed to change the way firms interact with their customers and thus the way they initiate, develop and terminate relationships with them. Ghorab (1997) stressing this point further states that the introduction and consumer acceptance of Internet-based home banking may bring a dramatic change in the way retail banks build and maintain close relationships with their customers. Blattberg and Deighton (1991); Shani and Chalasani, (1992); and Kara and Kaynak (1997) see internet as a means of tying the customers to the company through the development of detailed customer database and the use of direct and relationship marketing. Barnatt (1998) contend that this tying of customers to the bank through the detailed database will offer great potential for developing loyal customers and increased market share for some firms.
It is widely acknowledged that internet will never leave the bank marketing as it meant it. Rather Internet banking technology will bring about changes in the working environment, living conditions and the patterns of banking (Hagel et al, 1997). The attendant changes will inevitably result in users with needs that are more sophisticated as well as the opportunity to discern among the services of providers since they can largely access more information via internet. Rogerson et al (1999) assert that Internet-enabled consumers will be able to change banks at the press of a button, in the comfort of their homes. They will have access to on-line “intelligent agents” that will give them the ability to compare products and services for the best terms and conditions. If Nielsen Web rating curled from ISA (2002) that states that 76.9% of Swedish population are connected to the web is anything to go by, it means more and more of Swedish population are practically taking advantages of the services Internet offers. Yang and Fang (2004) aver that Internet-based tools such as Internet marketing, stored database will help companies to create and customise offers to customers, which is a parallel track to Osarenkhoe and Bennani (2007) view that “one-to-one” marketing through interaction and processing, companies can create more customised offers to customers. Wang et al (2003) in their study of user acceptance of internet banking found out that though technology will likely be a key driving force within the banking sector, but this is turn will depend on a number of other factors as it relates to the user. They concluded that the use of internet banking is strongly influenced by perceived usefulness, perceived ease of use, and the perceived credibility. The study equally found out that in order to attract more users to internet banking, it is not just enough to make
the system easy to use. However, that it is of paramount importance to develop internet-banking systems with valuable functions and with a trustworthy protection of security and privacy for users.

Kannan (2004) having claimed that Internet banking is nothing more than traditional banking services delivered through an electronic communication. He asserts that as a new delivery channel, it will have features that distinguish it from the traditional delivery channel. He identified some of the distinctive features to include:

- It removes the traditional geographical barriers as it could reach out to customers of different countries/ legal jurisdiction. This has raised the question of jurisdiction of law/ supervisory system to which such transactions should be subjected,

- It has added a new dimension to different kinds of risks traditionally associated with banking, heightening some of them and throwing new risk control challenges,

- Security of banking transactions, validity of electronic contract, customers’ privacy, etc., which have all along been concerns of both bankers and supervisors have assumed different dimensions given that Internet is a public domain, not subject to control by any single authority or group of users

- It poses a strategic risk of loss of business to those banks who do not respond in time, to this new technology, being the efficient and cost effective delivery mechanism of banking services

- A new form of competition has emerged both from the existing players and from
new players of the market who are not strictly banks.

2.3 Internet banking as a Service Delivery Channel

The present conventional research on Internet banking is towards user-focused research, the values it provides and its importance as a delivery channel. Jayawardhena and Foley (2000) on their part proclaim that Internet is gaining popularity as a delivery channel in the banking sector just as the customer needs are changing. Gentle (1993) affirm that as banks encounter stronger competition, they will face the challenge of achieving the right balance between staffing levels and skills, investment in technology and branch networks and the right delivery strategies in order to seek new sources of revenues and profits outside the traditional banking disciplines. The traditional banking characterised by large number of branches scattered around populated areas as sign of substantial resources of the bank hence offer security for customers savings as explained by (Lockett and Littler, 1997) will no longer be a major determinant of capturing market shares as well as providing barrier to entry to prospective competitors (Henderson, 1995). The provision of homogenous products and services at the cost of hiring and maintaining large number of staff with high fixed and variable costs will be eroded.

There is widespread of use and high internet adoption in the world (Margherio, 1998). He went further to mention that the “Internet’s rate of adoption has outdone all other technologies that preceded it. Radio was in existence 38 years before 50 million people
tuned in. It took TV 13 years to reach those masses. The PC reached that popularity in sixteen years. Once open to the public, the Internet managed to outdo its counterparts within four years. In 1994, three million people, mostly in the United States, used the Internet. In 1998, 100 million people around the world were now using the Internet. It is estimated that by 2005, one billion people around the world will be connected to the Internet". As growth of Internet users in the world increases, there is the need for financial institutions and “new entrants” to provide their products and services over the internet to capture this growing population of Internet users. This is because Internet will continue to play a vital role in service delivery (Parasuraman et al, 2005).

2.4 Types of Internet Banking Delivery Channel

The delivery of banking services is in two folds. This can take the form of Physical Interaction called face-to-face meeting with bank staffs in their branch offices or in the form of Virtual Interaction, delivered via online as it is with telephone and Internet banking. Recent research by Bank Administration Institute (BAI) showed that 58% of typical customer interactions with bank are through mail, phone called virtual interaction and the physical interaction accounts for 38% (Yan and Paradi, 1998). They further proclaim that to interact virtually, typically, customers must obtain a copy of the banks’ proprietary software, learn to use it, and then dial into the banks’ network when needed. This is inconvenient for many customers who travel constantly because of the need to retrain and to keep up with the different versions of the software. Internet banking seems to be a solution to this problem.
The tremendous networking power and easy access of the Internet allow customers to reach the banks' Web pages regardless of their physical location. As long as they have a browser and an Internet Service Provider (ISP), they will be able to see their own financial statement and perform almost any transaction they desire. Jayawardhana and Foley (2000) and Doll and Torkzadeh (1998) profess that Web site features are unique in determine user satisfaction. They avow that the following site features – speed of download, content, design, interactivity, navigation and security are paramount in determine user satisfaction.

2.5 The Different levels of Internet Banking

Kannan (2004) identified three levels of banking services offered through Internet. They are:

(I). Basic Level Service that disseminates information on different products and services offered to customers and members of public in general. It may receive and reply to customers' queries through e-mail.

(ii). Simple Transactional Websites which allow customers to submit their instructions, applications for different services, queries on their account balances, etc, but do not permit any fund-based transactions on their accounts.

(iii). Full Transactional Websites that allow the customers to operate their accounts for transfer of funds, payment of different bills, subscribing to other products of the bank and to transact purchase and sale of securities, etc.
Chapter 3

3. THEORETICAL FRAMEWORK AND THE IMPLICATIONS OF INTERNET BANKING

The reason, in the words of Perla (2003) quoting the 20th century business thinker Peter Drucker, is that the "main job of an organization is to create value" because for any business to be successful, it has to create value for these groups; customers, employees, and investors whose interests must be adequately represented at all level. This according to O'Malley (1998) is because "the interests of these three groups are inextricably linked. Therefore, sustainable value cannot be created for one group unless it is created for all of them". Sears in their study found "a high correlation between customer satisfaction, employee satisfaction, and store profitability (Kotler and Keller, 2006). To explain this further, I will refer to a proverb in my place, which says that if two hands scrub each other, there is the tendency to have both thoroughly cleaned than when you try to wash one hand all by itself.

In an information technology economy, there are themes that underlie the value creation. O'Malley (1998) identified the following as the themes that underlie successful value creation strategies in an information economy:

• Product and process innovation
• Detailed, real-time understanding of changing needs of well-defined customer segments (frequently database enabled)
• Leveraging emerging technologies in existing markets (particularly information technology)
• Leveraging technology or regulatory changes to create new markets
• Reconfiguring company and industry value chains
• Creating win/win partnerships with customers, employees, and suppliers

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If we agree that, the purpose of business is to create value according to Peter Drucker. The issue of creating value in this perspective as noted by O'Malley (1998) “entails making products and providing services that customers find consistently useful”. He went further to emphasize, “It is based typically on product and process innovation and on understanding unique customer needs with ever-increasing speed and precision”. It should equally include the act of be innovative and trying to predict, forecast and supply (quality management) what is missing that customers’ desire to fill. The proper harnessing of this management activities from the employees engaged in different stages of production result in sustained value for customers’ money. Baatz (1994) states, “it’s not the willy-nilly application of information technology but its proper management that encourages productivity that comes a new emphasis on economic profit or, as it is known today, economic value added (EVA)”. As noted by Kotler and Keller (2006) “it involves the ability of a firm to identify new customer benefit, what they think about, wants, does, and worry about”.

In essence, the creation of value to customer is said to occur when a firm is able to harness its “intermediate production goods” to produce a product that gives customers value for their money. It equally implies that the product at every point in time meets and exceeds the perceived satisfaction a customer desired and received consistently in exchange for money.

People invest for a diverse number of reasons. The reason could vary from one person to another as explained by Jim Elder of Elderado Financial. He once gave four biblical sound and three unsound reasons why people invest. Whatever reason it is that makes people invest, one reason stand out unchallenged that is
maximizing investor’s capital. Investors expect return higher than what they have invested. In simple terms, they expect Market Value of Capital received to be more than Capital initially employed in the business. Thus, value creation for investors could mean delivering consistently high returns on their capital. To do this generally requires both strong revenue growth and attractive profit margins. These, in turn, can be achieved only if a company can tap the commitment, energy, and imagination of their employees such that it can consistently deliver sustained value for customers. The management of such companies should according to O’Malley (1998) pursue measures that will see the firm achieving attractive financial performance as its reward for having aimed at the real target, i.e. maximizing the value created for the firm’s primary constituents. Furthermore, the management should undertake only those investment opportunities that have return on investment (ROI) to be positive which Internet banking provides by be “consistently useful to customers” (O’Malley, 1998) and the return on Investment exceeds the required return to equity (Fernandez, 2001).

ROI = Capital invested/ Discounted Capital released.

A company creates value for its shareholders when the shareholder return exceeds the required return to equity (Fernandez, 2001). Created shareholder value = Equity market value x (Shareholder return - Ke).
It can also be calculated as created shareholder value =Shareholder value added - (Equity market value x Ke)
where Ke = risk premium
3.1 ADVANTAGES AND DISADVANTAGES OF INTERNET BANKING

3.1.1 Advantages of Internet banking

Internet banking provides a number of advantages for both the banks and their customers. Internet banking has made life much easier and banking much faster and more pleasant, for customers as well as the bank (Peterson, 2000).

- It has brought low cost of entry into the banking sector because the large investment required by banks to open and run branch offices in densely and low populated places have been eliminated or reduced. This means a bank could be located in one country and effectively deliver its services via online to its customers anywhere in the world. This low cost of entry, very promising returns and manageable risk has lead to flurry of new entrants (Gandy, 1998; Mols, 1998) resulting in a strong or fierce competition. Other advantages Internet banking are not limited to, but include the following:

- Moving market and expanding services into new business area. The recent changes in structural and functional framework have enabled many banks to expand their services into non-traditional banking areas (Marshall, 1998). For example, banks expansion of their services into insurance and stock brokerage services and the insurance firms’ delivery of banking functions to their clients. These changes have made a number of traditional banks to move into other markets quickly. The way and
manner cyber banks have move into the investment market and merchant market in addition to retail banking will if not, careful, will make traditional banks lose their competitive edge or be edged out of business by these cyber banks that are leading in Internet banking (Yan and Paradi, 1998).

- Cost savings: Internet banking is delivery mediums that have saved banks some amount of money that would have originally been spent on opening and running many bank branches in densely and low populated areas. Studies by The Economist (1999), Downes and Mui (1998) and Wylie (1999) avow, “A simple transaction for a non-cash payment at a branch is likely to cost the bank as much as 11 times more than over the Internet. Jayawardhena and Foley (2000) maintain that the cost savings come through combined effects of reduction and better utilization of workforce – dealing with thousands of customers at once, equipment – paper clips, forms and bank stationery, more economic usage of space and operational savings that helps raise the profit margin by a surprising large number.

- Data collection and management: Internet banking has assist banks to increase or advance in data collection, data management, and financial engineering that have improved the ability of potential creditors to assess the creditworthiness of potential borrowers and to price the risk associated with those borrowers through standardized mechanisms such as credit
scoring (Carlson et al, 2000). They aver that because of this increased customer database, the range of businesses and individuals that can obtain loans through financial institutions is expanding rapidly. Credit scoring is based on the analysis of information that can be entered into a standardized database, and thus it avoids the costs associated with customized loan products. Furthermore, banks can effectively use customers’ information from their database to develop new products and services that meets customers’ needs and demand. With these new products and services, the banks will be able to attract new and retain existing customers as well as use multiple distribution channels effectively to cover the market by enabling different products to be targeted at different demographic segments. Since customers are likely to place their trust in proven innovators (Read, 1998).

- **Customization of services:** Internet banking provides the bank with information about its client since it has a database that contains the various activities of each customer. As result, they are able to tailor and customize their services to address the needs of their customers in a world saturated with mass automation and homogenized product and services (Dannenesberg and Kellner 1998; Jayawardhena and Foley, 2000).

- **Innovativeness:** Because of the ever-available nature of the World Wide Web of competitors, banks are always able to
see what their competitors have to offer their customers; as a result, they can consistently and continually deliver different types of services to match their competitors. Internet technologies as observed by Prescott and VanSlyke (1997) and Mandeville (1998) have paved the way for a multitude of different banking products to be innovated. This means it gives banks the opportunity to constantly design and fashion products and services for competitive advantage, as noted by Osarenkhoe (2006) when he claim that blurring of distinction between products and services would likely result in gaining market advantage for the firm.

The World Wide Web equally has the capability to host advertisements and other marketing campaigns 24 hours a day without incremental charges for prolonged exposure unlike those found in the traditional media (Quelch and Klein, 1996). Jayawardhena and Foley (2000) assert that the costs are limited to initial development investment, and the maintenance costs, which are far less in comparison to traditional advert placement. They added that the interactive nature of Internet facilitates a system whereby a customer can be guided through a catalogue of products and services that is most suited for their socio-economic profile.

Jayawardhena and Foley (2000) aver that Internet banking most importantly allows banks to delegate task to customers, save the bank’s time and all the expenses that would have been
incurred as payments to staffs employed to carry out the functions, while at the same time minimizing the errors that would have been faults of the bank.

- It creates an opportunity to access customer’s account 24 hours or anytime of day, anywhere in the world as so long, as they have access to Internet facilities. It has helped many businessmen that are always on the move to successfully carry out any form of transactions without having to go to their bank physical office as it was in the past (Peterson, 2006; Kannan, 2004).

- Banking technological developments make it much easier and cheaper for customers to compare and contrast products and to establish multiple banking connections (Buhl and Will, 1998) which could alter the purchasing decision making process of the customer (Fojt, 1996).

- The availability of Internet banking saves the customer the time they would have spent in the bank queue up or booking appointment for bank services. For example, the use of online application for account opening that ordinarily would have demand booking an appointment or go over to the bank to queue up while waiting to be attended to (Jayawardhena and Foley, 2000) can be done at the customer’s convenience.

- With a single press button and logging into once account, customers can easily manage their finances; check account balances, transfer funds and pay bills. In
addition, they can download the financial statement that shows up-to-the-minute updated figures (Peterson, 2006).

- Some banks charge very low fees for the use of their Internet facilities. Internet banking has resulted in cheaper banking; fees and charges are typically much lower (Hagel et al, 1997; Rogerson et al, 1999; the Economist, 1999; and Ghorab, 1997).

3.12 Disadvantages of Internet Banking

Internet banking like every other thing in life has its demerits. Its demerits among others include:

- There is lack of governmental policies that guides Internet banking operations across international border (Kannan, 2004).

- Hackers are still able to hack into the accounts and transactions of account holders to perpetrate atrocious activities. Such security lapse problem was recorded recently with SEB in Sweden, where some Russia Mafias were said to have duped the bank large sum of money. It is not 100% safe, thus there is the need to exercise caution (Kephart, 2007).

- A third party services is required by the bank to run the online banking services to their clients (SAS Institute AB, 2000).
4. METHODOLOGY

To ensure content validity, the research was based on prior studies on Internet banking. Items for value created by Internet banking was taking from previous studies and modified to fit the specific technological development and the environment studied. Data were obtained primarily to carry out this exploratory study. Information was sought primarily using questionnaire. Two sets of questionnaire were generated and administered. The key informants (Kumar et al., 1993) for the study were 60 bank customers and 4 head of IT units of the “four big” banks. Multiple data collection techniques (Osarenkhoe, 2007) were used to acquire data for the study. One set of questionnaire was administered to the “big four” banks since they account for over 80% of the total bank assets in Sweden. The second of set of questionnaire was administered randomly to people in different locations within Stockholm, the largest and the most populated city in Sweden, known for its technological developments vanguard position and because it is the city where all the banks headquarters are located. This approach was done to get validated response from the banks and customers of the banks.

The study shows that there is a relationship between values derived by the customers and that derived by the banks. In agreement with Kotler and Keller (2006) that there is a high correlation between customer satisfaction, employee satisfaction, and store profitability. It means that when customers are satisfied with the services they get for their money spent on purchasing the services or products, the banks in turn makes profits from
the money paid for the services rendered to the customers. It was also found out that there is a relationship between the ease of use, convenience and the cost and the rate of adoption. In support of Margherio (1998) claim that “early adapters report increased productivity from using electronic networks to create, distribute, sell, buy, and service products and services. Furthermore, he remarks that by the year 2002, some experts believe the Internet to be used for more than $300 billion worth of commerce between businesses”.

4.1 Sample Size

The “four big” banks in Sweden - SEB, Swedbank, Nordea and Handelsbanken were used for this study. The reason is that the four banks constitute over 80% of the total bank assets in Sweden. Responses were sought primarily from the head of the IT units of the four banks. The questionnaire administered to the Stockholm public, a sample size of 60 respondents was used. Fifty percent (50%) were men and the other fifty percent (50%) were women.

4.2 Survey Procedure

Two sets of questionnaire were generated. One set of the questionnaire were administered to the head of the IT units of the selected four banks. Initial contact was by telephone calls to the banks to determine the persons responsible. Their emails were collected after discussing with them on the phones. Questionnaires were sent to them via their email. The filled questionnaires were returned back to me via email. The second set of the questionnaire meant for the banks’ customers were administered as follow. Of the (60) sixty respondents selected for the questionnaire, 50% were women and the remaining 50% were men. It
was ensured that at least as many professions as possible were represented though no specific percentage was allocated to any profession. Some of the professions interviewed include lawyers, doctors, engineers, teachers, company executives, drivers to security guards. No specific figure was allocated to each professional.

The respondents were randomly selected in different parts of Stockholm to ensure a good representation of the population in Stockholm. The questionnaire were administered to them face to face and on the spot discussion with some of the respondents were done especially those that were seen walking along the road whom the possibility of seeing them again was zero. However, those that could be seen again were allowed to take the questionnaire with them and were collected back latter.
5.1 Value creation vis-à-vis customers

I gave out eighty questionnaires and only sixty of them responded. Of the sixty respondents that responded to the questionnaire, only 11.7% of them do not use Internet banking, the other 88.3% of them use Internet banking for financial services or the other. This is 14.4% more than 76.9% figure giving by Nielsen Net ratings 2002 report, as the number of homes connected to the Internet in Sweden and 3.3% more than the 85% (finextra, 2004), as the number of Internet banking users in Sweden. Majority of the 11.7% that do not use Internet banking belong to the age group of 60 and above. One of the reasons giving for not using Internet banking was that they do not have Internet at home and going to the library to use Internet is almost like going to the bank itself. Thus, they do not see the need for Internet banking until they are able to have Internet facilities in their homes.

Although most of the other age group uses Internet banking, some especially one security guard explained to me that she uses Internet banking because others are using it. This is contrary to Wang et al, (2003) when they gave reasons why people use Internet banking. However, the findings show that majority of those using Internet banking that is 83.9% (95% of the 88.3% respondents) use it for convenience sake, easy to use, constant access, as profess by (Wang et al, 2003), a better overview of their banking business and the handling of their everyday financial transaction (SBA, 2004).

Internet made it possible for them to carry out their transaction anytime of the day.
Convince of use expressed by the respondents agree with the statement that Internet banking has made life much easier and banking much faster and more pleasant, for customers as well as the bank (Peterson, 2006). Easy access round the clock supports Peterson (2006) aver that Internet facilities give customers access to their account 24 hours.

All the respondents using Internet banking confirmed that Internet banking allow them to carry out the transfer of funds between account within same or different banks, pay their bills, check account balance (Mols, 2000; Lockett and Littler, 1997), while 65% uses the investment it provides, only 45% said they use it to monitor investments. This confirms the statement of Buhl and Will (1998) that affirm that Internet banking gives customers multiple banking connections.

Seventy-five percent (75%) of the respondents claim that online technology has made it easier (SAS, 2000) and cheaper for them to compare and contrast products. And also the opportunity to decide either to switch services at a press of a button or remain with their present service provider (Rogerson et al, 1999), to establish multiple banking connections (Buhl and Will, 1998) and these altogether affects their decision making process (Fojt, 1996). The resultant effect is an increased competition among the banks to outdo each other in their bid to provide services that will meet their customers’ needs and demands that are always changing.

All the respondents profess that it was time saving, as they do not have to go to the banks to either book an appointment or stand on a queue waiting to be attended to. Others remark that they do not have to take time or permission from
place of work to go to the bank to carry out transactions (Jayawardhena and Foley, 2000). Furthermore, the catalogue guide provided by the banks in the Web page help to easy usage of the provided products and services (SAS, 2000).

Eighty-nine percent (89%) of the respondents attest that Internet banking is cheaper to operate as they pay very little amount of monthly fees to run their accounts (Ghosh, 1998). They remark that even when they pay their bills, transfer funds between accounts locally, they do not have to pay extra charges, except on international fund transfer. This has helped customers to save cost (Downes and Mui, 1998; Rogerson et al, 1999; and Wylie, 1999).

This study found that only some of the customers could buy or sell stocks and other securities by using their bank accounts via online (SBA, 2004). In addition, that the respondents could open new accounts and close old accounts without doing tedious paperwork (Peterson, 2006).

This research also found out that Internet banking provides the following advantages or values to the banks:

5.2 Value creation vis-à-vis the banks

SEB and Nordea commence Internet banking in 1996, while Swedbank and Handelsbanken commence theirs in 1997. Swedbank gave an approximate figure of 90% as its customers that uses Internet banking, Handelsbanken gave 84%, Nordea figure was estimated to be 81%, while that of SEB was 78%. All these figures were only estimates, as they could not give me the actual figure. This study found out that from the respondents that 88.3%
of the bank customers could be using Internet banking in Sweden.

The four banks commend that Internet banking has brought low cost of entry into the banking sector. They claim that the cost of setting up and running Internet banking facilities were far less compare to the large investment required to open and run branch offices in densely and low populated places. The banks allege that this has increase the competition in the industry as any purported bank can run Internet banking to as many customers as the large banks. The four banks equally acknowledge that Internet banking has very promising returns and manageable risk (Gandy, 1998; Mols, 1998).

Marshall (1998) affirms that the recent changes occasioned by technological development resulting in the changes of the structural and functional framework have enabled many banks to expand their services into non-traditional banking sectors. Handelsbanken was the only bank that claim that the occasioned changes has not in any way influence the expansion of their operations to other services, they originally do not cover. In the words of one of the respondents, “Some new services were built, in order to fully use the internet capacity. He enumerated some of the services include e-Invoice, where invoices are sent directly to the Net bank, e-Payments/secure card payments which are used for safe payments on the open internet and “e-legitimation” which is used to identify our customers when they communicate safely with authorities like the tax authority. In addendum, another respondent states that most basic services were improved when they were built into the Net bank.
Cost saving and increased profit margin. The four banks agreed that heavy initial investment was required to build and maintain the Internet facilities, work force among others in the beginning but that on the long run, it has reduced costs in terms of transaction and operational costs. Thus, it increases profit margin. Which confirms Jayawardhena and Foley (2000) statement that the cost savings come through combined effects of reduction and better utilization of workforce – dealing with thousands of customers at once using email, equipment – paper clips, forms and bank stationery, more economic usage of space and operational savings which helps to raise the profit margin by a surprising large number. In addition to this, is that of The Economist (1999), Downes and Mui (1998) and Wylie (1999) that accentuate that, “A simple transaction for a non-cash payment at a branch is likely to cost the bank as much as 11 times more than over the Internet.

Only one of the three banks, precisely Handelsbanken agreed to the statement that data availability via online has facilitated the processing of loans to potential borrower, the other three banks were of contrary view. Though they all approved that it assist the banks to assess the creditworthiness of potential borrowers through its increased data management and financial engineering but it does not in any way enhance or facilitates the loan processing process. This is contrary to Carlson et al., (2000) when they assert that Internet banking has assist banks to increase or advance data collection, data management, and financial engineering that have improved the ability of potential creditors to assess the creditworthiness of potential borrowers and to price the risk associated with those borrowers through standardized mechanisms such as credit scoring. Another point
made by the four banks that is contrary to (Carlson et al., 2000) was that because of this increased customer database management, the range of businesses and individuals that can obtain loans through financial institutions is expanding or increasing rapidly. The banks however concurs with (Carlson et al., 2000) that credit scoring are based on the analysis of information that can be entered into a standardized database, and thus, it avoids the costs associated with customized loan products. They also proclaim that the advance data management and the design of these new products and services by the banks will attract new and retain existing customers as well as the use of multiple distribution channels that effectively cover the market by enabling different products to be targeted at different demographic segments as noted by (Read, 1998). Since customers are likely to place their trust in proven innovators.

Internet banking provides database that stores the information required to manage customers. With this obtained information, the bank is able to design and customization of services to the needs of each customer. The four banks avow that Internet or online banking is “to some extent are tools to follow up how customers are using the different services” quoting one of the respondents. Internet banking provides the bank with information about its client - his use of different services, what he uses more since this can be extracted from the database that contains the various activities of each customer. As such, they are able to tailor and customize their services to address the needs of their customers in a world saturated with mass automation and homogenized product and services (Dannensnberg and Kellner 1998; Jayawardhena and Foley, 2000).
The four banks submits that the World Wide Web equally has the capability to host advertisements and other marketing campaigns 24 hours a day without incremental charges for prolonged exposure like those found in the traditional media or advertisements (Quelch and Klein, 1996). They equally uphold the opinion of Jayawardhena and Foley (2000) that the cost are limited to initial development and the maintenance costs that are far less when compared to the traditional media advert placement. In addition, the nature of Internet that facilitates guiding a customer through a catalogue of products and services that is most suited for their socio-economic profile. Only Nordea and SEB posit that it does reduce advertisement cost but Handelsbanken and Swedbank were of contrary position. Handelsbanken and Swedbank held that the WWW do not in any way reduce their total advertisement cost for their banks.

The four banks affirm the statement that the always available, and easy to access nature of the World Wide Web of competitors, in their search for competitive edge, have assist them to always notice what their competitors are offering to customers as such they can consistently deliver different types of services to match their competitors. Which is in line with observation of Prescott and VanSlyke (1997); Mandeville (1998) that Internet technologies have paved the way for a multitude of different banking products to be innovated. This further confirm the view of Gronroos, (1998) that IT has brought a situation whereby products try to differentiate themselves from competition through giving services as overall packaged (Gronroos, 1989). The traditional distinction between products and services are no longer explicit (Osarenkhoe,
2006) neither is the distinction between the firms producing products and those rendering services as most firms today offer both.

The four banks uphold that that Internet banking has helped the banks to delegate tasks to customers in line with the opinion of Jayawardhena and Foley (2000). Jayawardhena and Foley assert that Internet banking allows banks to delegate task to customers, saves the bank’s time and the cost that would have been incurred as salaries to the staffs employed to carry out the tasks delegated, while at the same time minimizing the errors that would be the faults of the banks.

Figure 1
below is the current banking services offered by Banks to Customers.

<table>
<thead>
<tr>
<th>Question</th>
<th>Nordea</th>
<th>Handelsbanken</th>
<th>Swedbank</th>
<th>SEB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Check balances</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>View account</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Historical records</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Order Pin Code</td>
<td>X</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer funds</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Pay Bills</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Standing orders/Direct debit</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Order/print Statement</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Send Messages</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Apply for Loans</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Service</td>
<td>A</td>
<td>B</td>
<td>C</td>
<td>D</td>
</tr>
<tr>
<td>-------------------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Open Accounts</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Apply for Credit Cards</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Apply for Mortgage</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Apply for Insurance</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

The table above shows that the four banks provide all the listed services above to their customers, except one that only Nordea bank provides. This could be because none of the banks wants to be edged out of business, thus, they have to compete strongly to provide all the services that Internet banking can offer. This is a confirmation of the statement accredited to the then Chief Executive of Swedbank, Birgitta Johansson-Hedberg when she concedes that IT is going to shut some people out: “Those who refuse to move with times will have to compromise on their quality” (International Spotlight, 2000).
Chapter 6
6. DISCUSSION

This study focused on determine the extent of use of Internet banking in Sweden and how Internet banking assist banks to create value for itself and their customers. It was not clear if the conjecture and anecdote inference drawn on the value creation of Internet banking was true.

The findings of this study strongly support most of the conjecture and anecdote inference of the value creation of Internet banking to banks and customers. The results provide evidence of the values and advantages the banks and its customers have enjoyed since they commenced the use of Internet banking. The study equally contributes to, and supports prior research on Internet banking. This confirms the statement that Internet technology will actually become a key factor driving structural and functional changes within the banking sector refer to (Bednar et. al, 1995; Mols, 2000 and Dannenberg and Kellner, 1998), in Sweden since its inception in 1996. Technology – Internet banking precisely will dramatically changed the bank-marketing pattern and the way service firms such as financial service firms will do business in the future (Dannenberg and Kellner, 1998). The study found out that Internet banking, one of the new service delivery channels has had profound implications for the proliferation of new, types of products, and services that banks provide and how the services and products are delivered (Mols, 2000; Kannan, 2004; and Jayawardhena and Foley, 2000)). In addition, it acknowledges banks capability to deliver products and services without the customers able to distinguish them traditionally, as they are, delivered in a product-service continuum pattern for competitive advantage in favour of the firm (Gronroos, 1989;
and Osarenkhoe, 2006). This in turn has subsequently showed that Internet banking is now a formula for productivity and profitability.

The findings depict that Internet banking has a way it initiate, interact and terminate relationship with customers (Mols, 2000). It does not in any way strain or distort the relationship that banks have with their customers as it was initially widely acclaimed that the replacement or the substitution of branch-based service by Internet-based home banking self-services (Ghorab, 1997) that made accounts officers to build and maintain a good and close relationship with the bank customers will be greatly strained. Rather what it has done is continually help to build and maintain good relationship with customers (Barnatt, 1998) but only made the account officer not relevant in the scheme of things. The traditional idea of getting account officer updated with all the information he or she needs deal with each customer when the branch-based delivery service was the sole mode of operations.

The results provide evidence of the high rate of adoption of Internet banking in Sweden, a figure of 88.3% that is 3.3% more than the figure of 85% of 2004 (Finextra, 2004), and the affirmation of the conjecture and anecdote inference drawn on the values that banks and the customers alike derived from the use of Internet banking. This high rate of adoption must have been because of the recent increase in crease in home PC (ISA 2002), access to Internet occasioned by it cheapness, which is a confirmation of the saying that the Sweden is the most wired country in the world. An Internet service today in Sweden cost as low as 69 Swedish Kronor per month, which has made it possible for majority of the people in Sweden to
have access to Internet. The values derived by bank customer from Internet banking include the ability to access their accounts 24 hours a day, costs and time saving, the ease and cheaper availability of the means to compare and contrast products of the different service providers and able to decide within the confines of their house either to stick with or change service providers. This confirms the works of (Hagel, et al., 1997; Dannenberg and Kellner, 1998; Rogerson et al, 1999; Mols, 2000; Ghosh, 1998; and Peterson, 2006).

The values created by Internet banking to the banks not limited to, include costs saving, time savings, increased profit margin, increased data collection and management, innovativeness and customization of services, delegation of task and minimizing of errors that would have been faults of the bank staffs in performing some of these delegated tasks (Henderson, 1995; Marshall, 1998; Peterson, 2006). Other values include, banks do not have to keep their branches open 24 hours a day to provide this service, low cost of entry into the banking sector and the expansion of services to other sectors that Internet banking has helped to facilitate.

6.1 CONCLUSION

This study delivers valuable insights into the conjecture and anecdote inference of the value creation of Internet banking to banks and customers of these banks on the hand, and the adoption rate of Internet banking in Sweden on the other hand. The main objective was to explore and determine the validity of this insinuations and yarn that have characterised Internet banking usefulness to all and sundry.

Internet banking one of the advancement in information technology can be viewed as a value-
adding process (Osarenkhoe and Bennani, 2007) aimed at making life much easier and banking much faster and more pleasant, for customers as well as the bank (Peterson, 2006). Internet banking has accomplished the aforementioned aims and it is still be revolutionised to increase its value creation to the bank and its customers. The huge attention and investments that it attracted (Wang et al, 2003) has been justified in a numbers of ways. Its element as a key driver in the changes occasioned in bank marketing and its vital role in service delivery (Parasuraman et al. 2005) as far as I can fore tell is just starting. More revelations on what Internet banking will do in terms of its continual influence and changes to the banking sector are yet to see the light of the day. Its attendant innovations that will accomplish it in the next five years will be a thing of great surprise. Internet banking is not a means of tying customers to the bank (Blattberg and Deighton, 1991; Shani and Chalasani, 1992; and Kara and Kaynak, 1997). However, to some extent, it can be true. Only if the bank is quite innovative, and able to meet the needs and the demands of the customers otherwise it will equally help the bank to loose customers to the more innovative banks, with better terms and condition (Rogerson, et al., 1999).

It was observed that hardly do people visit their bank branch offices any more. Most of the respondents carry out virtually all their banking transactions via Internet or online banking. The study show that only very few people still go to the bank branch offices. The reasons giving by the respondents for still going to the bank branch office physically include to secure loans contrary to (Peterson, 2006) that loans can be applied for and secured via the online. This was further confirmed by three of the four banks that Internet banking has not facilitates the
processing of giving loans to customers but it does help them to monitor customer’s activities. The other mentioned activity that makes some of the people to go their bank branch office is to deposit money in their account. Only two of the banks, Swedbank and SEB provide deposit facilities for their customers that they do not need to go to their branch office but they still need to go over to where it is done.

This exploratory study has certain limitations. First, the study was limited to only Stockholm because of lack of funds and the tight work schedule made it impossible to transverse the length and breath of Sweden to collate response from other parts of Sweden. Thus, there is the need to exercise caution in generalising these findings. Second, the number of respondents was limited to 60 because it was near impossible to have people answer the questionnaire administered. The number of people that responded to the questionnaire was far more than those that were approached. One statement that kept recurring was “sorry I cannot help you”. Third, it took several calls to some of the banks to have them to answer the questionnaire and send them back. Further research can be extended to the rural part of Sweden as Stockholm could reflect the position of Internet banking of the cities in Sweden. Another area that could be of research interest is the question of the jurisdiction that bolder on the whether to apply the law of the area where access to Internet has been made or where the transaction has finally taken place. In relation to who should tax such income?

Finally, this study contribute and support several other studies that pointed to the fact that the cost of delivery of banking service through Internet is several times less than the traditional
delivery methods. The reality is that Internet banking is indeed a welcome development and a business strategy to be embrace by every bank that do not want to be edged out of business. Adopting Internet banking technology by banks in every facets of their business is not enough. The banks should as matters of paramount importance ensure that they have in place well refined and flexible systems, innovative and dynamic staffs, and the wherewithal to adapt to any envisage changes, curb and manage any unexpected changes and emerging risks. They must constantly and continually be involve in researches and development to determine the likely trend in bank marketing using Internet banking and other technologies, so that they will be in fore front in acquiring, upgrading and implementing result oriented systems that will assist them to remain efficient and cost effective.

Acknowledgement
The glory of this program goes to God Almighty. My special thanks goes to Dr. Aihie Osarenkhoe, my supervisor who out of his tight schedule still took out time to ensure the success of this study. Finally, my love goes to my beloved family and friend, Alex and Annemarie, thank you.
Appendix

QUESTIONNAIRE A

University of Gävle, Sweden.
MBA Marketing Management Final Thesis Questionnaire.

Student Name: Okhiria Solomon
Thesis Title: Internet Banking in Sweden.

Tick your age bracket
18 - 25 ( ) 26 - 45 ( ) 46 – 60 ( ) 61- above ( )

Tick your sex Bracket
Male ( ) Female ( )

1. What is your profession?

2. Do you use Internet or Online Banking?

3. How long have you been using Internet/Banking to conducting banking activities?

4. Why did you start using Internet/online banking?

5. What banking activities do you use Internet banking services delivery for, or do you carry out all your banking activities over the Internet?

6. When and what banking activities do you physically go to any of the branch office of the bank to conduct?

7. Have you taken any loan since you started the use of online banking?
8. Did you notice any difference in the loan securing process compared to the advent of online banking?

Do you agree or disagree with these statements?

You started conducting your banking activities over the internet:

9. Because it is more expensive to, for example pay your bills or do bank transfer over the counter.

10. Is it that it is more convenient to conduct banking services over the Internet?

11. Is it that the bank branch office close to where you live have been closed down, thus you had no choice than to use Internet banking system?

12. Is it that you have high level of computer literacy and you have been using computer for a long time?

13. Is it that you have trust for the banking system and the security of the payment system?

QUESTIONNAIRE B
University of Gavle, Sweden.
Executive MBA Marketing Management Final Thesis Questionnaire.

Student Name: Okhiria Solomon
Thesis Title: Internet Banking in Sweden.

Job Title:

1. Does your bank offer Internet or online banking facilities to customers?

2. What year did your bank commenced the use of Internet banking?
3. What banking activities does your bank offer via online banking?

4. Was huge investment involved in providing Internet banking services to your customers?

5. Will your say Internet banking has made it possible for your bank to expand their services to other areas of operations the bank was not initially offering?

6. What are these services?

7. In terms of operations and transaction costs, would you say Internet banking has increased or decreased costs?

8. Has Internet banking facilitates customers’ data collection and management.

**Tick Yes or No**

9. Has the data made available to the bank by Internet banking helps the bank?
   a). To tailor services to customers’ needs? Yes ( ) No ( )
   b). To easy and facilitates loan processing procedure to customers? Yes ( ) No ( )
   c). Help to increase loan provision to customers? Yes ( ) No ( )
   c). Reduce cost for adverts since services offered are always available on the WWW page? Yes ( ) No ( )

10. Can you give a summary of the benefits your bank derived from offering Internet banking facilities?
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