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# **Assessing the Introduction of Electronic Banking in Egypt Using the Technology Acceptance Model**

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## **EXECUTIVE SUMMARY**

The developments taking place in information and communication technology are increasing competition in financial institutions worldwide. Thus, the deployment of advanced technologies is essential to achieve a competitive edge. Recently, the banking industry was highly affected by the technology evolution that transformed the way banks deliver their services, using technologies such as automated teller machines, phones, the Internet, credit cards, and electronic cash. In line with global trends, retail banking in Egypt has been undergoing many changes. In the past, banks faced significant uncertainty regarding investments in advanced technologies, but recently, banks have been investing heavily in technology to maintain a competitive edge. However, to better forecast the future, banks need to understand the different factors influencing customers' choice between traditional and unconventional banking instruments. This case covers the introduction and diffusion of retail banking in Egypt and the development in electronic delivery channels and payment systems in its marketplace. The case represents a model for the application of advanced information and communication technology in the context of a developing nation.

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## BACKGROUND

Global changes are penetrating all societies and communities around the world, bringing more innovations, competition, products, and services and introducing new trends, directions, and ways to do things differently. The Internet and the World Wide Web have introduced new ways for doing business (Kamel, 2001). This has created many challenges and opportunities in the global market-place to the main players of the business cycle; among which are financial institutions. Respectively, in order to face its increasing competitive pressures, they were required to recognize the need to perform a balancing act between achieving strategic goals and meeting the continuous changing customer needs and requirements. While strategic goals are usually corporate-specific and can be achieved in different ways, understanding and meeting customer needs may be studied and analyzed at the industry level. Today, the use of cutting-edge information and communication technology is becoming a cornerstone in dealing with the competitive pressure faced by different businesses around the world.

Over the last few decades, the banking industry has been highly affected by such technology evolution, with an emphasis on the way services are delivered to retail banking customers. For more than 200 years, banking was a simple branch-based operation. However, things started to change since the early 1980s, with the use of multiple technologies and applications that surfaced with the penetration of computing in various sectors and industries, including banking. Among such technologies were the growing number of technology-based remote access delivery channels and payment systems, such as automated teller machines that displaced cashier tellers; the telephone, represented by call centers that replaced the bank branch; the Internet that replaced snail mail; credit cards and electronic cash that replaced traditional cash transactions; and shortly, interactive television that will replace face-to-face transactions (Kamel & Assem, 2002).

In Egypt, in line with global trends, the retail banking business has been undergoing tremendous changes over the last two decades. As a result, the banking industry was always facing a significant uncertainty regarding the potential investments in advanced banking technologies required to implement the different electronic delivery channels and payment systems. Regardless of the return, currently, banks in Egypt are investing large amounts of money in technology, not only to maintain a competitive edge but also to remain in the business. In order to make better forecasts for business planning and decision-making, banks need to better understand the different factors influencing the Egyptian customer choice among traditional and electronic banking instruments (Kamel & Assem, 2002).

The success in the application of different information and communication technology in retail banking delivery channels and payment systems relies to a large extent on the ability of customers to accept and adopt such systems. In Egypt, most of the technology-related decisions are based on reactions to other decisions taken by the competition, without a real study of actual customer needs or perceptions, which leads to the creation of a high level of risk associated with such strategy. An overestimation of the level of customer acceptance of the technology can misguide decision-makers to get involved in investments, which are not ready to give return, while underestimation of the acceptance level can lead to the loss of substantial market share.

This case analyzes the banking sector in Egypt and the deployment of information and communication technology in the sector in terms of adoption, diffusion, and innovation, while providing an understanding of the acceptance level of consumers of different

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