

A Case Study on Kurdistan's Electronic Banks: Key Challenges Facing Consumers

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ABSTRACT

With advances in technology, financial institutions and their users needed to turn to the modern style of banking which is called e-banking. It provides numerous profits for both organizations and individual customers in terms of the comfort, ease, and cost of transactions. The main purpose of this study is to investigate and identify key challenges facing consumers to utilize e-banking services. To accomplish the purpose and problem of the study, the researchers conducted a quantitative approach via an online survey among 62 respondents in Kurdistan Region Government (KRG) and the sampling was chosen randomly. The descriptive research approach has been used and the methodology of the study depends on both primary and secondary data. SPSS software and Microsoft Excel have been used to evaluate the collected data. The main results indicated that privacy and security issues have the most significant challenge that affects consumers while using e-banking services, about 21%, whereas knowledge issues have the least effect on them, about 3.2%. Moreover, the COVID-19 outbreak has hurt the e-banking system both in the Kurdistan Region and around the world since Chinese authorities first announced it in late 2019. If there was an effective online banking system in KRG, employees would have received their salaries without having any infections from others.

KEYWORDS: *e-banking, challenges, Kurdistan, financial, services.*

JEL CLASSIFICATION: *M1, M10*

1. INTRODUCTION

Since the recent decade, numerous creative gadgets have been announced and utilized to carry out banking services. One of the latest distribution channels of banking services utilized in the banking associations is electronic banking (Uddin et al., 2016). It is progressively playing an important role in enhancing the services within the banking sector (Nidhi, 2016).

One key feature of the online banking is that clients are not needed to utilize any proprietary software set up in their computers for getting access to the banking services. Online banking obtains increasing popularity, especially amongst retail clients because of: 1) twenty-four hours per week accessibility as well as low transaction prices, and 2) its capacity to serve as a suitable alternative channel (Leonard, 2002). Moreover, online banking has not been compelled by place and time (Hiltunen et al., 2002). Consequently, this type of banking has been attracted enormous adaptation via the retail banking consumers (Seyal & Rahim, 2011).

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According to Alikhani and Zare (2018), electronic banking is separated into three levels. Firstly, information level is the most important and fundamental stage of e-banking. Therefore, the bank gives adequate information regarding its services and banking activities via private or public networks system. Secondly, the communication level is a stage of e-banking that permits transactions among the consumer and the banking system. This stage of hazard in e-banking is larger than the conventional one, as well as it needs appropriate control to prevent access to computer systems and Internet banks as well. Thirdly, transaction-level is the great influence stage of hazard related to its kind of information and communication, and having considerable proficiency to transfer funds, issue checks as well as open an account with a managed safety system.

The sector of banking in the KRG has a restricted role in commercial enterprise transactions, as a result, in financial improvement. This overwhelming dependence on cash restricts chances for financial growth. To offer liquid instruments for short-time period funding, an effective banking system needs government safeties and interbank markets (USAID, 2008). In Kurdistan, the use of the banking system has never been prevalent between households but plays a vital role in public transactions and payment. Such as Pensions, salaries, and allowances as well as for contractors and importers. The overall crisis has indirectly affected banks operating in Kurdistan as follows: currency shortage, lower loan repayment, and more core bank capital (MERI, 2016).

The KRG enacted a series of precautionary measures beginning in late February as COVID-19 cases were escalate in next-door neighbour countries such as Iran - from where a large number of tourists come to the autonomous region every year. So, the KRG has taken some wide and strong measures, including closing schools, declaring an extended public holiday for government employees, cancelling all religious services and other public gatherings, and curfews across the region. The KRG has emphasized that curfews will be extended if needed. Those steps are taken to prevent the further spread of the deadly and highly-contagious coronavirus.

As governments continue to take steps to limit the spread of infections that have swept through over 190 countries, the number of confirmed cases and deaths due to the virus has doubled every week recently. It is a prime example of how almost all sectors such as tourism, agriculture, etc. both the Kurdistan Region and the world have been affected by the COVID-19 outbreak since it was first reported by Chinese authorities in late 2019.

KRG has faced some main challenges during the lockdown era; one of the key challenges is the distribution of the employees' salaries. Due to the lack of having a functioning banking system and we can say extremely unconvincing online banking system, this gait is concentrated for KRG to take, the only option was to take employees' salary door to door and this would have some negative impacts, especially at the coronavirus time because of the spread of infections between the employees during that process. Furthermore, if there was an appropriate online banking system, the employees would get their salaries without having any contact with others.

The topic of electronic banking is certainly significant and it has become quite a common trend in an individual's daily life. It provides numerous benefits for customers and banks as well. It has made banking much faster and life much easier for both banks and customers. It is convenient and offers 24 hours per day and 7 days per week availability in any location to have internet access. It offers well-organized cash administration to internet optimization.

Additionally, it offers suitability in terms of capital, time, labour, and all the essential resources to create a transaction process.

The main purpose of this study is to identify key challenges facing consumers in e-banking services. Moreover, the suggested research title of this study is to discover a case study on Kurdistan's electronic banks: key challenges facing consumers. Hence, to accomplish the objective of this study as well as to better assess the key challenges facing consumers, the research question is: What are the most and the least effective challenges of electronic banks on consumers? Besides, today, many customers are progressively utilizing the banking services that are accessible in the banking sector. It saves time and reduces cost. From the consumer's insight to digital banking, it offers an effective and suitable way to manage funding that is simply available 24 hours per day. In contrast, electronic banking has certain difficulties in the context of Kurdistan in comparison to developed countries. Comprehending the reasons why such technological novelty is missing in developing countries like Kurdistan could lead to fruitful study and investigation. For this reason, the main problem of this study is identifying the key challenges facing consumers when they use electronic banking services in Kurdistan.

2. LITERATURE REVIEW

The literature on electronic commerce has examined the electronic banking phenomenon from different views. Some study has studied the adaptation and development of electronic banking, whereas others describe the obstacles and advantages to be obtained from electronic banking services as a long way as the association is involved. A short review of a number of the relevant kinds of literature presented below:

Bafna and Nahar (2017), stated that owing to different difficulties, a step towards e-banking through customers is still at the beginning period. The difficulties like operational risk, system architecture, and design, security risk, less Web entrance in India setting regarding e-banking are acting as obstacles in adapting e-banking services.

According to the results of Rahman et al. (2017), e-banking facilities such as Internet payment gateway, Internet banking, and point of sale terminal not have been so well-known. Individuals utilize e-banking facilities mostly to save time. However, they have not been satisfied by utilizing e-banking facilities. They observed that nearly 76% of individuals have not been satisfied regarding infrastructure improvement of e-banking. Further, they discussed many barriers to e-banking. The major barriers of e-banking were knowledge challenges (nearly 68% of individuals satisfied regarding knowledge is associated with e-banking), fraud-forgery (nearly 73% have emphatically concurred), cost, socio-cultural challenges, security, and legal challenges. There have been many difficulties such as unsatisfying customer services, financial risk, obsolescence of technology, and economic challenges. Besides, the expense of e-banking services is simply too high, therefore cost ought to be reduced, participants said.

Alikhani and Zare (2018), reviewed the issues and challenges of the electronic banking regime in Iran. They analyzed that concerning some problems of e-banking, there are numerous issues in Iran. Existing laws and rules do not state e-payment orders or even e-commerce regulation is quiet about them. The standards of purchaser assurance in connection to e-banking are inadequate and sadly, there is no clear and legal system in this respect; additionally, some services can be provided soon, for example, banking, utilizing Cloud computing, there are no unique legal regulations and there might be numerous legal problems in this regard.

A study carried out by Singh and Sharma (2014) concluded that most consumers are facing issues in the utilizing of e-banking due to the lack of information, lack of appropriate training, technical bottlenecks, out-dated technology, frustration in obtaining work done electronically, improved work efficiency but decreased individual efficiency and encountered issues or strain because of e-banking in comparison to manual banking.

A study conducted by Daniel (1999), discovered that 25% of banks in the United Kingdom and the Republic of Ireland that responded to the survey are previously providing online transactional services to customers in their homes. The majority of respondents (50%) are those that are now improving or testing such services, whereas only 25% of the respondents were in companies not improving or offering such services.

The main results of Abdou et al. (2014) revealed that the United Kingdom banks have effective and appropriate risk management services and systems that assist to deter future electronic risk and minimize losses arising from e-banking risks. The results also indicated that security risks and reputational risks are identified as the main challenges for consumers in e-banking services.

A study conducted by Kolodinsky et al. (2004) in the USA, discovered that relative benefit, observability, simplicity and complexity, product involvement, and product involvement are related to adoption. Moreover, adoption is also influenced by factors such as income, gender, age, assets, education, and marital status. Although adoption has changed over time, the effects of other influences on adoption have remained constant. Although adoption has changed over time, the effects of other influences on adoption have remained constant.

The main results of Ibrahima et al. (2016) discovered that there is a significant relationship between three elements of service quality dimensions to maximizing consumer satisfaction such as timeliness, dependability, and consistency.

In a study conducted by Floh and Treiblmaier (2006) in Australia, their results have shown that trust and satisfaction were been recognized as a significant element of loyalty that influences consumers of an Austrian online bank. Besides, the data also supported the moderating role of customer characteristics such as age, gender, perceived danger, technophobia, and participation.

Finally, Adam (2013) discovered that customer's security and confidentiality rules will continue to affect how electronic financial facilities might be given to the consumers. Numerous complexities and challenges are standing infant of the banking administration authorities; e-business and e-banking are moving forward. In some ways, the technologies surrounding it work jointly, and in others fail.

3. KEY CHALLENGES FACING CONSUMERS

3.1 Privacy and security issues

Compared with conventional banking, e-banking represents various hazards. In the case of e-banking, these hazards are increasingly noticeable or marked. The hazard of technological modifications must be cautiously observed. So, updating technologies is vital and remains cost-effective and client-friendly. One of the main facets inhibiting customers while opting for services of e-banking is the hazard of revealing personal information and the worry of identity theft. The majority of the customers think that the usages of e-banking facilities cause them

vulnerable personal information theft. In that case, concern regarding their privacy and sense that bank might also invade their privacy and security through using their information for advertising and other secondary purposes without the approval of customers (Farooqui & Rajani, 2017).

The problem associated with security has to turn out to be one of the primary issues for banks (Prema, 2011). Security hazards can be increased and might result in a lack of confidence and trust in electronic delivery means. As indicated by Daniel (1999), the degree of security or hazard related to the implementation of e-banking is the main issue influencing the adoption and acceptance the e-banking items. Indeed, even in countries where e-banking has been recognized for a long time, one of the greatest essential elements slowing the advancement of this new development is the clients' problem for the protection of financial transactions over the electronic and Internet channels. Thus, security is one of the most significant elements in deciding the choice of clients to utilize e-banking policy. Similarly, security issues are safekeeping and maintaining both customers away from electronic banking. Thus, unless safety is enhanced, most customers would not be safe conducting their transactions by electronic channels.

3.2 The trust issues

For most clients, trust is the greatest obstacle to internet banking. Owing to a lack of trust in online security, conventional banking is more favoured by consumers. They feel that Internet transactions are dangerous because fraud can occur (Farooqui & Rajani, 2017).

3.3 Operational risks

It is also referred to as a transactional hazard that is related to e-banking. It takes the forms of transactions incorrect processing, understands in information rectitude, data confidentiality, and concealment, non-enforceability of agreements, unauthorized permission, and encroachment to bank's data system (Bafna & Nahar, 2017).

3.4 Infrastructural issues

Infrastructural challenges have been one of the main significant obstacles for e-banking in Kurdistan. There is insufficient infrastructural assistance here to offer effective e-banking facilities. In Kurdistan, telecommunication facilities have been not strong, and communication measurement of information is weak, the software is not accessible in the country as well as hardware for setting up ATM booth is expensive and uncertainty overpayments as well. Furthermore, its development needs the creation of safe, certain, and reliable payment infrastructures to prevent fraud and other illicit actions.

In Kurdistan, a tiny number of individuals have credit cards as well as the majority of sectors of banking not having a national clearing bank system and possible clients are doubtful of being cheated (Lawrence & Tar, 2010; Tar & Lawrence, 2011). One of the least created in the Middle East area is the banking as well as financial services industry in Kurdistan. Here, users might additionally be incapable to buy online products, as a result, credit cards do not seem to be accepted while not signature or wholesalers lack the services online transaction. Beyond people transactions, full efficiency and awareness of the advantages of electronic commerce rely upon quick authorization, agreement of accounts, and payments.

3.5 Knowledge issues

In Kurdistan, e-banking is still not greatly advanced. Mass consciousness is not viable. The country encounters the challenge of improving trained human resources. The bank's executives, staff, and clients lacked technological understanding.

3.6 Legal issues

In Kurdistan, condition need and restriction of control of law is considered one of the intense problems to e-banking. Alternatively, in an immature country such as Kurdistan, frauds had been obtaining huge potential which shows a poor output in the electronic banking sector.

In addition to these challenges, courts in Kurdistan do not consider electronic records as proof; consequently, individuals with a high hazard of the transaction had been no longer a great deal involved to acquire e-banking services.

3.7 Socio-cultural issues

In Kurdistan, several individuals have not been trained and knowledgeable. As a result, individuals who were not inclined to break the traditional method of ordinary banking also always maintain a negative insight about e-banking. An additional significant problem is that bank workers also have a negative viewpoint on e-banking regarding their occupation uncertainty. Diversely, numerous conventional clients prefer receipts and paper cash over electronic papers for their lack of knowledge as well as weakness in the English language.

3.8 Economic issues

In Kurdistan, financial challenges had been one of the greatest barriers to e-banking. Forgiving e-banking facilities to the client requires substantial investment concerning new infrastructures. Therefore, it is difficult for a bank to invest a large amount of money for e-banking and economic infrastructure as well.

3.9 Management and banking issues

Administration and banking problems are one of the main obstacles to the improvement and implementation of e-banking in Kurdistan. For example, maintenance of workers and executives about new technologies, and there is insufficient coordination, communication, and collaboration among banks and centres of decision making, scarcity of long-term strategic management planning, besides shift and change of executives and decision-makers is a significant issue.

4. METHODOLOGY AND DATA COLLECTION

To obtain the aim of the study and data collection, the researchers used the quantitative method through an online survey. A quantitative method copes with measuring as well as analysing variables to get outcomes. It implies the use of statistical techniques to analyze and utilize numerical data. Quantitative research techniques are defined by Aliaga & Gunderson (2002) as the explanation of an issue or phenomenon through the collection of numerical data and analysis using mathematical methods, especially statistics.

An online survey was used to collect the data from the respondents. Online surveys can be done at a low cost and in a limited period. The author can start the survey, pause it, and resume it at any time (Evans & Mathur, 2005). As Hogg (2003) points out, instead of being irritated by a telephone survey at an inconvenient time, respondents should take an online survey whenever it is convenient for them.

Also, the instruments of this study included two parts: the first part of the instruments comprises characteristics of the respondents such as gender, age, and qualifications of the participants. Whereas, the second part variables were chosen for this study to measure key challenges and indicators of e-banking: privacy and security issues 4 questions; trust issues 2 questions; operational risks 3 questions; infrastructural issues 2 questions; knowledge issues 3 questions; legal issues 2 questions; social-cultural issues 4 questions; economic issues 1 question; management and banking issues 5 questions. As well, 1 question regarding what challenge is more affecting consumers during the process of e-banking?

Moreover, the numbers of participants of this study were 62 participants and were selected randomly in KRG. The ratio of distributed questionnaires for each city is about 35 % Erbil province; 28% Sulaymaniyah province; 22% Duhok province and 15% Halabja province. Besides, to achieve this study's objective, the data were collected in two bases: The primary data was collected via online survey results while the second one was gathered from various sources, such as books, academic papers, journals, and various websites, etc. Lastly, the SPSS software and Microsoft Excel have been used to assess key challenges facing consumers when they are using e-banking services in Kurdistan.

5. RESULTS AND DISCUSSION

The demographics of the participants are demonstrated in Table 1. Out of 62 samples gathered, 62.9% of the participants are male and 37.1% of them are female. Moreover, the age group of the participant's reveals that 32.3% of them are between 31-35 years old, whereas, 11.3% of them are between less than 25 and 26-30 years old as well, followed by 29% aged 36-40 and 16.1% who are aged more than 41-45 years old. Besides, for the qualifications of the participants, 50% of the participants hold a Master's degree, while only 4.8% of them have a Diploma degree, followed by 25.8% a Bachelor's degree and 19.4% a Ph.D. degree.

Table 1. Characteristics of the respondents

Profile Variables	Frequency	Percentage
Gender:		
Male	39	62.9
Female	23	37.1
Total	62	100
Age:		
> 25	7	11.3
26-30	7	11.3
31-35	20	32.3
36-40	18	29
< 41-45	10	16.1
Total	62	100
Qualification		
Diploma	3	4.8
Bachelor	16	25.8
Master	31	50
PhD	12	19.4
Total	62	100

Source: Primary Data

As indicates in Table 2, out of 62 participants, 50% of the participants agreed regarding lacking or weak security measures while only 8.1% of them have disagreed and 41.9% of them were neutral. Besides, the majority of the participants were agreed regarding the problem for the protection of financial transactions which is about 51.6%, but only 16.1% of them were concerned about the problem for the protection of financial transactions, and 32.3% of them were neutral. 40.3% of the participants were agreed about the increased potential of fraud in e-banking, 40.3% of them were neutral as well, and 19.4% of them disagreed. Moreover, 43.5% of the participants thought that customer's personal information and identity might be misused or stolen by an anonymous whereas 17.7% of them disagreed, and 38.7% of them remained in the neutral position.

Table 2. Privacy and Security Issues

	Variables	Measurement scale	Frequency	Percentage
1	Lacking or weak security measures	Agree	31	50
		Neutral	26	41.9
		Disagree	5	8.1
		Total	62	100
2	The problem for the protection of financial transactions	Agree	32	51.6
		Neutral	20	32.3
		Disagree	10	16.1
		Total	62	100
3	The increased potential of fraud	Agree	25	40.3
		Neutral	25	40.3
		Disagree	12	19.4
		Total	62	100
4	Customers personal Information and Identity might be misused or stolen by an anonymous	Agree	27	43.5
		Neutral	24	38.7
		Disagree	11	17.7
		Total	62	100

Source: Primary Data

Table 3. Trust Issues

	Variables	Measurement scale	Frequency	Percentage
1	Lack of strong trust environment	Agree	34	54.8
		Neutral	17	27.4
		Disagree	11	17.7
		Total	62	100
2	Lack of confidence and trust in e-banking.	Agree	32	51.6
		Neutral	19	30.6
		Disagree	11	17.7
		Total	62	100

Source: Primary Data

As revealed in Table 3, 54.8% of the participants agreed about the lack of a strong trust environment when they are using e-banking services, 27.4% of them were neutral, and 17.7% of them disagreed. Simultaneously, 51.6% of the participants believed that there is a lack of confidence and trust in e-banking, 30.6% of them were neutral, and 17.7% of them felt concerned disagreement.

Table 4. Operational Issues

	Variables	Measurement scale	Frequency	Percentage
1	Transaction's incorrect processing	Agree	21	33.9
		Neutral	30	48.4
		Disagree	11	17.7
		Total	62	100
2	Data confidentiality and concealment	Agree	21	33.9
		Neutral	35	56.5
		Disagree	6	9.7
		Total	62	100
3	Unauthorized permission and encroachment to bank's data system.	Agree	25	40.3
		Neutral	28	45.2
		Disagree	9	14.5
		Total	62	100

Source: Primary Data

From the above Table 4, 48.4% of the participants were neutral about incorrect processing of transactions, 33.9% of them agreed while 17.7% of them disagreed. Besides, 56.5% of the participants were neutral regarding data confidentiality and concealment, and 33.9 % of them agreed, whereas only 9.7% of them disagreed. At the same time, 45.2% of the participants were neutral about unauthorized permission and encroachment to the bank's data system, 40.3% of them were agreed, and 14.5% of them have disagreed.

Table 5. Infrastructural Issues

	Variables	Measurement scale	Frequency	Percentage
1	Weak connections in networking and Telecommunications.	Agree	40	64.5
		Neutral	18	29
		Disagree	4	6.5
		Total	62	100
2	Software and Hardware that are available in the country are not suitable.	Agree	33	53.2
		Neutral	19	30.6
		Disagree	10	16.1
		Total	62	100

Source: Primary Data

As displayed in Table 5, the majority of the participants agreed that there are weak connections in networking and telecommunication which is about 64.5%, while only 6.5% of

them have disagreed, and 29% of them were neutral. Simultaneously, 53.2% of the participants were agreed about software and hardware that are available in the country are not suitable, 30.6% of them were neutral, and 16.1% of them disagreed.

Table 6. Knowledge Issues

	Variables	Measurement scale	Frequency	Percentage
1	Limited trained Human Resources	Agree	39	62.9
		Neutral	17	27.4
		Disagree	6	9.7
		Total	62	100
2	Improper use of Technology	Agree	28	45.2
		Neutral	30	48.4
		Disagree	4	6.5
		Total	62	100
3	Lack of Technological knowledge (managers, employees, clients)	Agree	31	50
		Neutral	23	37.1
		Disagree	8	12.9
		Total	62	100

Source: Primary Data

As demonstrated in Table 6, it can be seen that 62.9% of the participants were agreed about limited trained human resources, whereas only 9.7% of them were concerned disagreed, and 27.4% of them were neutral. Besides, 48.4% of the participants were neutral about improper use of technology, and 45.2% of them were agreed while only 6.5% of them disagreed. The majority of the participants stated that managers, employees, and clients have to lack technological knowledge which is about 50%, followed by 37.1% neutral and 12.9% of them have disagreed.

Table 7. Legal and Security Issues

	Variables	Measurement scale	Frequency	Percentage
1	Lack and limitation of regulation and law	Agree	36	58.1
		Neutral	18	29
		Disagree	8	12.9
		Total	62	100
2	Denial of e-documents in courts.	Agree	28	45.2
		Neutral	32	51.6
		Disagree	2	3.2
		Total	62	100

Source: Primary Data

As discovered in Table 7, regarding legal issues, 58.1% of the participants were agreed in terms of lack and limitation of regulation and law, while only 12.9% of them have disagreed,

and 29% of them were neutral. 51.6% of the participants were neutral about the denial of e-documents in courts, and 45.2% of them agreed, whereas only 3.2% of them disagreed.

Table 8. Socio-cultural Issues

	Variables	Measurement scale	Frequency	Percentage
1	A negative perception of e-banking services	Agree	30	48.4
		Neutral	25	40.3
		Disagree	7	11.3
		Total	62	100
2	The lack of awareness and familiarity regarding new technology and its benefits	Agree	35	56.5
		Neutral	19	30.6
		Disagree	8	12.9
		Total	62	100
3	Charging fees is a reason for the loss of customers	Agree	29	46.8
		Neutral	22	35.5
		Disagree	11	17.7
		Total	62	100
4	People want to have a bank receipt	Agree	31	50
		Neutral	24	38.7
		Disagree	7	11.3
		Total	62	100

Source: Primary Data

From the Table 8, regarding socio-cultural issues, it can be seen that 48.4% of the participants agreed about the negative perception of e-banking services, while only 11.3% of them disagreed, and 40.3% of them were neutral. 56.5% of the participants agreed about the lack of awareness and familiarity regarding new technology and its benefits, followed by 30.6% of them were neutral and 12.9% of them have disagreed. 46.8% of the participants agreed about changing fees is a reason for the loss of customers, followed by 35.5% of them were neutral and 17.7% of them disagreed. 50% of the participants agreed regarding people want to have a bank receipt, whereas only 11.3% of them disagreed, and 38.7% of them were neutral.

Table 9. Economic Issues

	Variables	Measurement scale	Frequency	Percentage
1	Low level of Internet penetration due to high costs	Agree	31	50
		Neutral	21	33.9
		Disagree	10	16.1
		Total	62	100

Source: Primary Data

According to the received results from the participants in Table 9, it can be seen that 50% of the participants were agreed about the low level of internet penetration due to high costs. 33.9% of them were neutral, and 16.1% of them disagreed.

Table 10. Management and Banking Issues

	Variables	Measurement scale	Frequency	Percentage
1	E-banking poses several managerial risks for Bank management	Agree Neutral Disagree Total	30 28 4 62	48.4 45.2 6.5 100
2	The resistance of employees and managers regarding new technologies	Agree Neutral Disagree Total	29 25 8 62	46.8 40.3 12.9 100
3	The lack of adequate coordination, interaction, and cooperation between banks and other decision-making centres	Agree Neutral Disagree Total	34 25 3 62	54.8 43.3 4.8 100
4	The lack of long-term strategic management	Agree Neutral Disagree Total	39 21 2 62	62.9 33.9 3.2 100
5	Change and shift of managers and decision-makers is an important obstacle	Agree Neutral Disagree Total	28 23 11 62	45.2 37.1 17.7 100

Source: Primary Data

As shown in Table 10, regarding management and banking issues, 48.4% of the participants agreed about e-banking poses some managerial risks for bank management, while only 6.5% of them disagreed and 45.2% of them were neutral. 46.8% of the participants were agreed about the resistance of employees and managers regarding new technologies, followed by 40.3% of them were neutral and 12.9% of them disagreed. Moreover, 54.8% of the participants agreed about the lack of adequate coordination, interaction, and cooperation between banks and other decision-making centers, whereas only 4.8% of them disagreed and 43.3% of them were neutral. Additionally, the majority of the participants agreed about the lack of long-term strategic management which is about 62.9%, while only 3.2% of them disagreed and 33.9% of them were neutral. Finally, 45.2% of the participants agreed about change and the shift of and decision-makers is an important obstacle, 37.1% of them were neutral and 17.7% of them have disagreed.

Table 11. What challenge is more affect you during the process of e-banking?

No	Variables	Frequency	Percent
1	Privacy and Security Issues	13	21
2	Trust Issues	11	17.7
3	Operational Issues	10	16.1
4	Infrastructural Issues	8	12.9
5	Management Issues	6	9.7
6	Legal Issues	5	8.1
7	Socio-cultural Issues	4	6.5

No	Variables	Frequency	Percent
8	Economic Issues	3	4.8
9	Knowledge Issues	2	3.2
Total		62	100.0

Source: Primary Data

To accomplish the objective of this study, the researchers attempted to answer the research question; what are the most and the least effective challenges of electronic banks on consumers?

Based on the findings of this study, as shown in the above Table 11, privacy and security issues have the most influential challenge that impacts on consumers while using e-banking services, which is about 21%, whereas knowledge issues have the least effective issues that influence on them which is about 3.2%, followed by trust issues 17.7%, operational issues 16.1%, infrastructural issues 12.9%, management issues 9.7%, legal issues 8.1%, socio-cultural issues 6.5% and economic issues 4.8% respectively. Hence, the overall differences need to be taken into account during the process of e-banking.

By comparing the results of this study with other studies in different settings, it can be realized that there are several similarities and differences regarding key challenges facing consumers during the process of e-banking. As mentioned in the literature review, a research carried out by Adam (2013), it was revealed that customer's security and confidentiality challenge has the most effective impact on the users of e-banking when compared to the results of this study (see Table 11). It means that his results are similar to the results of this study.

There are also some differences between the outcomes of this research to other researches. When comparing the outcomes of this paper to the findings of Rahman et al., (2017), it can be seen that there is a huge difference regarding the challenges of e-banking. So, according to his results, the major barriers of e-banking were knowledge challenges (nearly 68% of individuals satisfied regarding knowledge is associated with e-banking), whereas only 3.2% of the respondents of this study were satisfied regarding knowledge issues, it tends to be seen that knowledge issue has the least effective challenge for users of e-banking (see Table 11). Besides, there is also the difference between the results of this study to the results of Singh and Sharma (2014), their results revealed that most consumers are facing issues in the utilize of e-banking owing to lack of information, while least of respondents of this study realized that they are encountering the problems in the use of e-banking as a result of lack of knowledge.

Privacy and security are ranked first among the challenges that encounter the user of e-banking. The reason behind that is because of technical issues, there might be loss of data as well as most of the time it is not secure and safe. On the other hand, knowledge issues have the least impact on the user of e-banking service. It might be related to the level of customer knowledge and skills. Consequently, customer knowledge and skills comprise training and education, in addition to skills learned from everyday life. The acceptance of e-banking facilities is greatly influenced by customers who are qualified and also use the Internet. Customers who are educated in utilizing computers, as well as the Internet, will impact on them to utilize e-banking facilities.

This study has been conducted during the lockdown period because of COVID-19. Usually, in Kurdistan region employees collect their monthly salaries from banks manually, due to the absence of online banking system consequently, both KRG and its employees faced difficulties to manage this process, this caused extra cost for KRG to hand out its employees monthly salaries in their door steps. Moreover, this would make this study different from the previous ones.

6. LIMITATIONS

The accessibility of secondary data on this subject was limited, which restricted the researchers to discover their further thoughts. Consequently, E-banking is a modern idea and is evolving its characteristic over time, and all of this technology requires work for more development and better utilization as well. Besides, it was hard and time-consuming to discover spontaneous participants for the online survey. Besides, the author's emphasis only on the key challenges facing users in the e-banking system, other banking services areas is not included in this paper.

7. RECOMMENDATIONS

From the results of the study, the researchers realized the challenges of financial institutions in the procedures of electronic banking implementation in KRG. Most of the problems cannot be overwhelmed or solved via the help of financial organizations alone. Help from the consumers and government is needed for the success of electronic banking in KRG. Government ought to set up the appropriate instructive establishment to make proficient IT experts help e-banking in KRG. Besides, the government should educate and inform its people and consumers on the workability and efficacy of e-banking in partnership with the banks. That will expand and increase the certainty, confidence, and trust level of consumers. Also, decision-makers have to consider concentrating on the awareness, trust, and confidence of the customers by increasing security features, using appropriate e-legislation as well as the arrangement of digital receipts or assurance for each transaction to encourage more confidence and trust in customers of such facilities and advance a culture of electronic banking use across Kurdistan. Furthermore, banks ought to seek to collaborate with net provider companies to achieve the high quality of Internet and infrastructure to allow the banks to offer higher quality services and simultaneously improve web availability everywhere. Because of the widespread COVID-19 in KRG and other parts of the world, the researchers highly recommended that KRG should conduct an e-banking system. If a suitable online banking system existed, workers would collect their salaries without getting any infections from others.

8. CONCLUSION AND FURTHER RESEARCH

In conclusion, many literate individuals want to utilize modern banking facilities based on information technology. They would like to compare Kurdistan's banking system with other developed countries. They also need to acquire banking facilities speedily via not visiting the bank physically which saves their cost and time. That's why people's dependencies on IT-based banking are growing rapidly. The main objective of this study was to identify key challenges facing consumers; factors that impact customers to utilize electronic banks and the difficulties those influence the banks to launch facilities of internet banking.

Quantitative data was used through an online survey between 62 participants in KRG randomly, as well as the data was collected and analyzed through the SPSS software and Microsoft Excel. The results revealed that privacy and security challenge has the substantial impact on consumers while using e-banking services, which is about 21%, whereas knowledge issue has the least effective obstacle that impact on them, which is about 3.2%, followed by trust issues 17.7%, operational issues 16.1%, infrastructural issues 12.9%, management issues 9.7%, legal issues 8.1%, socio-cultural issues 6.5% and economic issues 4.8% respectively.

Future researches might be carried out to evaluate the various challenges that affect the customer's intention to implement services of e-banking. Future researches also can be carried out for specific groups; financial institutions as well as banks in the country then include more participants to look at how banks handle the operational difficulties in the usage of e-banking facilities.

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