

ADOPTING INTERNET BANKING SERVICES IN A SMALL ISLAND STATE: ASSURANCE OF BANK SERVICE QUALITY

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Abstract

This paper aims to examine the factors affecting the adoption of internet banking services by domestic commercial banks in a sparsely populated small island. Being one of the smallest island economies in the world, North Cyprus was chosen as a case study to explore the factors that affected the penetration of internet banking services in North Cyprus over a two year period. The managers of 23 banks operating in North Cyprus were interviewed first in 2004 and later in 2006. Furthermore, the web sites of these banks were also examined both in 2004 and in 2006 in order to measure the progress made in adopting internet banking services between these periods.

Evidence from survey studies and from banks' web sites indicated that banks in North Cyprus have been consistently moving towards providing internet banking services despite a very small potential market to share. In 2004, the majority of commercial banks claimed that the potential market was too small to adopt internet banking services in North Cyprus. Yet, in 2006, the same banks were in the process of introducing internet banking as an assurance to their customers that they would be able to maintain a competitive quality of service in the future, hence avoid losing their customers to the branches of foreign banks.

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JEL Classification: G21, L86

Introduction

It is widely agreed that internet banking provides banks with a competitive advantage, by improving the quality of customer services and reducing the operational costs (Jordan and Katz, 1999; Furst et al., 2000a). Indeed, during the last decade the number of banks that recognized the benefits of internet banking services and adopted internet banking increased dramatically. While globally only one bank offered internet banking service in 1995, by the end of 2002 this figure rose to 6,000 banks (Claessens et al., 2003). In recent years a large number of research studies have been conducted investigating the characteristics of banks that adopted internet banking. Most of these studies reached the general conclusion that large and new banks which are located in highly populated expensive urban areas are likely to adopt internet banking (Furst et al., 2000a; Daniel, 1999). Although these arguments are well taken, they failed to explain why small local banks with a very small number of potential internet users would be willing to invest in expensive internet banking services. In recent years we have seen that not only large international banks, but also small local banks with limited customer base have started to adopt internet banking services. However, no research studies has paid sufficient attention in examining the motivations and objectives of banks in adopting internet banking services in considerably small markets. This research aims to fill this gap by examining the approach of banks in adopting internet banking services where the number of potential internet users is too small to justify the cost of adopting internet banking services.

North Cyprus, a small Mediterranean island is taken as a case study to analyze the perceptions and expectations of local banks in adopting internet banking services. With 85,000 potential internet users and 23 domestic and foreign commercial banks, the potential market in North Cyprus for internet banking services is tiny (Abeido, 2004). Yet, the penetration of internet banking services increased remarkably from 8.7% of total banks in 2004 to 30% of total banks in 2006.

In February 2004, interviews conducted with the general managers of domestic banks indicated that none of the domestic banks offered internet banking services at that time. Furthermore, the majority of these banks resisted the idea of offering internet banking services. In February 2006, the same banks started to view internet banking services differently. At the time of the second bank interviews in February 2006, two domestic banks were offering internet banking services

and the rest of the banks (except 4 of the smallest banks) were in the process of introducing internet banking services within one to two years. Banks expressed their views on this dramatic change as an inevitable development given the new information technology and internet banking services brought into the domestic market. The majority of domestic banks believed that only less than 10% of their customers would actually use the internet banking services. Yet, these banks felt that if they did not offer internet banking services this would create a negative image about the quality and diversity of their financial services. Thus whether it would be used by their current customers or not, domestic banks felt a pressure to adopt the new information technology and internet banking services as quality assurance for the retention of their customers. This research study contributes to the literature by showing that, the ever escalating competition in providing high quality services in financial markets has made internet banking services inevitable even in the smallest of markets.

Literature Review

Internet banking services was first provided in the early 1980s by Nottingham Building Society and the Bank of Scotland (Tait and Davis, 1989). However, these services were soon discontinued as it was not widely accepted by the banks' customers. In the early 1990s, with the rapid growth of information technology and electronic services, banks began to launch internet banking services again (Daniel, 1998). In late 1990s many anticipated that internet banking services, such as viewing banking transactions, bill payments and even online loan applications would become industry standards. These expectations were realized in a much shorter time than expected. By 2000, Furst et al., (2000b) showed that 88.8% of all US national banks were offering "balance inquiry" and "fund transfer" services through their web sites, 78% of them were offering bill payment services, and 60% of them were offering credit application services. These three services were the most popular services offered by all banks categories.

The rapid expansion of internet banking is most noticeable in the developed countries such as the USA where the availability of computers and easy access to the internet has made it easier for banks to adopt internet banking. Adoption of internet banking services in developing countries appears to be taking place at a slower pace. In recent years however, banks in developing countries are increasingly offering internet banking services despite the limitations they face. Polatoglu and Ekin (2001) reported that, since 1997 several leading Turkish banks have offered

full-service online banking successfully. According to the Banks Association of Turkey, 27 out of a total of 47 banks, in other words 58% of all banks in Turkey were offering internet banking services in 2006 (Banks Association of Turkey, 2006).

In an econometric study, Furst et al. (2000a) investigated the factors explaining the decision of banks to adopt internet banking. The results of this study showed that, large, young, and efficient banks which are located in urban areas, and incur higher expenses on premises and fixed assets, are more likely to adopt internet banking. The introduction of the internet has allowed banks to practice a new generation of banking activities without being forced to invest in expensive physical branches. Furthermore, findings of a comprehensive study by Daniel (1999) indicated that the market share, or the strength of a bank, is positively related to its decision to provide internet banking. This is mainly because the large and well established banks felt pressure to provide their customers with the latest financial products and services in order to give their customers a wider range of choices and thereby promote customer retention.

A large number of empirical studies have also been conducted with respect to the customer perception and acceptance of internet banking services. In this regard, Joseph and Stone (2003) investigated the customer perception of the impact of technology on service delivery in the banking sector. According to the findings of this research "...high scores on the ability to deliver service via technology appears to be correlated with high satisfaction with services deemed most important to customers" (Joseph and Stone, 2003, p. 200). Hence, availability of internet banking services appears to be very important for banks for customer satisfaction and retention. However, availability of internet banking services itself is not a sufficient factor to increase customer satisfaction. User friendliness of the internet banking services appears to be an important factor for customers to use these services. In a similar study, Lang and Colgate (2003) found that customers who do not have IT gap, find it easier to use internet banking services therefore they have higher satisfaction levels than the ones who do not have IT skills. The empirical study by Broderick and Vachirapornpuk (2002) also show that the level and nature of customer participation in using internet banking services has the greatest impact on the perception of service quality.

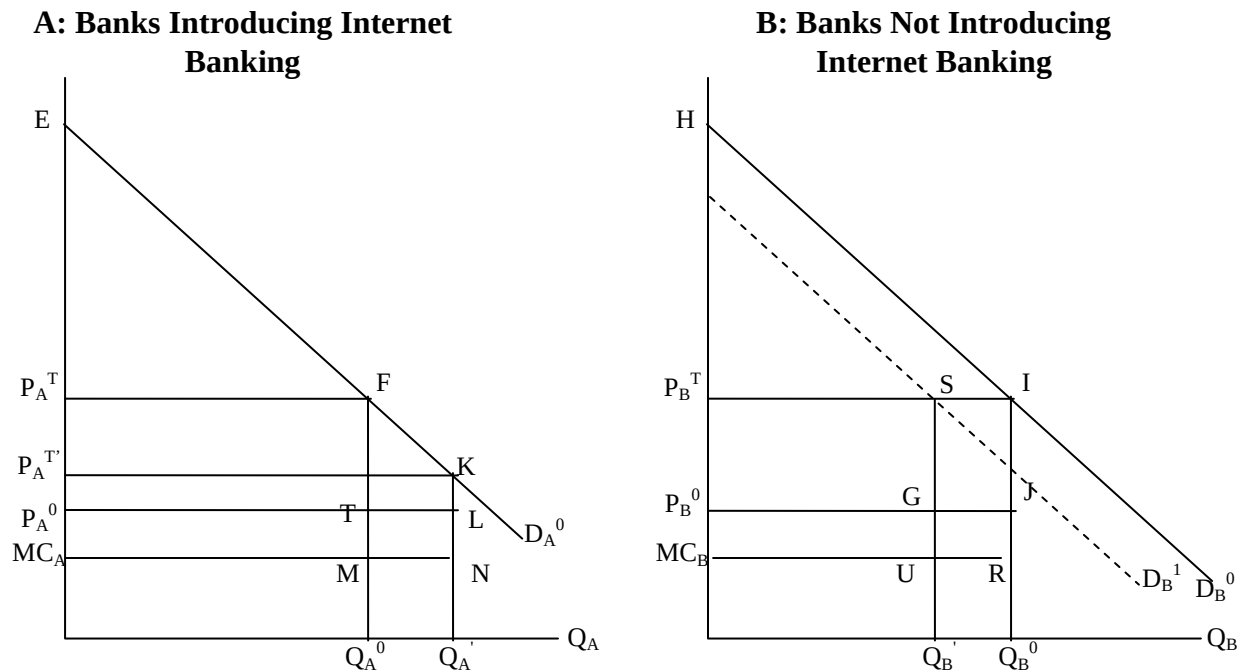
Similar to above studies, there is a large number of empirical research indicating a positive correlation between the availability of internet banking services and the customer perception of

bank service quality (Mols, 2000; Jun and Cai 2001; Polatoglu & Ekin, 2001; Shih and Fang 2006). Hence we expect to see that banks which are concerned about their customer satisfaction in bank service quality are more likely to adopt internet banking services. There are however some other factors such as technological development and the cost of offering internet banking services that may also have an influence on the diffusion of internet banking services. Mols (1998), argues that the acceptance of internet banking is influenced by technological development, as well as by the perceptions of bank customers and bank managers. If the technological advancements make banking services cheaper and more user-friendly, we expect to see more customers using the internet to obtain the banking services they desire.

The Market for Banking Services

The market for banking services can be expressed conceptually in the familiar context of the demand for banking services. This market can be divided into two parts. The first is the demand by consumers for the services of Type A banks who intend to make internet banking available soon. The second is the demand by customers facing the Type B banks. These banks initially do not intend to offer such services. These are shown in Figure 1A and 1B.

Figure 1: The Market for Banking Services



Due to location or other factors that differentiate the services provided by Type A and Type B banks we will assume that the banking services provided by the two groups are substitutes, but not perfect substitutes.

In the initial situation the full price that the customers pay for these services in the two types of banks are assumed to be identical at P_A^T and P_B^T . These full prices are made up of two components, the charges levied by the banks, P_A^0 and P_B^0 for the services,¹ plus the time and compliance costs incurred by the customers to access these services. In figure 1(A) and 1(B) the prices net of the coping costs incurred by individuals are shown as P_A^0 and P_B^0 . The coping costs for market A is given by $C_A^0 = P_A^T - P_A^0$, and for market B the coping costs, given by $C_B^0 = P_B^T - P_B^0$.

The first effect of internet banking is to provide a convenience to the customer in obtaining the banking services they are now purchasing. This is shown in figure 1A as a reduction in the coping costs) of the customers, C_A^0 falls from $(P_A^T - P_A^0)$ to $(P_A^T - P_A^0)$.

This reduction in the full costs of obtaining the banking service will increase the quantity demanded of the banking services offered by the type A banks. Because the services from type A and type B banks are substitutes a fall in the demand (a loss in customers) will be experienced by those banks who have not introduced internet banking services. This is illustrated by the leftward shift of the demand curve for type B banks' services from D_B^0 to D_B^1 .

If the marginal costs, MC_A , of supplying banking service by type A bankers is less than the price charged by the banks for the service, P_A^0 , then their profits will increase by the area MTLN. At the same time if the marginal costs of supplying banking services, MC_B , are less than the price charged by type B banks, then they will suffer a loss in profits shown in figure 1B as the area UGJR.

From an examination of the profits and loss statements of the banks in North Cyprus during this period it appears that all of the banks were in a profitable position (Central Bank, 2004). In such a situation it is clear that an incentive exists for type B banks to follow the lead of type A banks

¹ These charges may not be explicit by area reflected by the spread between interest rates paid on bank deposit and the interest rates charged on loans.

and introduce internet banking services as long as the annual loss in profits of UGJR is greater than the annualized costs incurred to introduce internet banking.²

Viewed from the perspective of the customers, the availability of internet banking in type A banks, increases their consumer surplus due to the improvement of service quality provided by the introduction of internet banking. This increase in the amount of consumer surplus is shown in figure 1A as the growth in the area $P_A^T EF$ to $P_A^T EK$.

A similar analysis can be conducted to show that if internet banking increases service quality by offering new services at a full price that is less than the maximum the customers would be willing to pay for these new services, then the customer's demand curve for banking services of type A banks will shift upward by more than the increase in the full price of the services. This will also lead to a movement of customers from type B banks to type A banks. Again in order to avoid the loss of customers and falling profits, type B banks will have an incentive to follow the lead of the other banks and introduce internet banking. The costs of introducing internet banking services might not be fully recovered by the charges they levy for the services. Type B banks, however, would have even lower profits if they did not introduce internet banking and lost part of their customer base.

Drawing on the basic principles of consumer demand theory in a less than perfectly competitive industry, we would expect to find that a major motivating factor for the banks in North Cyprus to introduce internet banking would be to avoid the loss in profits that would arise if they lose customers to other banks who introduced such services. If internet banking enhances the overall net benefits accruing to the customers who can get access to such services, then the clients will have an incentive to move to the banks providing such services.

Research Methodology and Sampling

This paper aims to examine what stimulated commercial banks in a sparsely populated small island to adopt internet banking services where the number of potential internet users appear to be too small to justify the cost of adopting internet banking services based on the additional fees that the bank may charge for the services or the amount of bank operating costs the could be saved.

² The profit position of the banks in the TRNC is consistent with the research on the profitability of banks during this period in Turkey. (Bektas, E.)

As a case study, this research uses North Cyprus, a small island state, to analyze the perceptions and expectations of banks in adopting internet banking services. With 85,000 potential internet users and 23 domestic and foreign commercial banks, the potential market in North Cyprus for internet banking services is tiny (Abeido, 2004). Yet, the penetration of internet banking services increased remarkably from 8.7% of total banks in 2004 to 30% of total banks in 2006.

This research used face to face survey method to collect primary data from a population of 23 domestic and foreign commercial banks. The interviews were conducted with two main objectives. First objective is to identify the level of internet banking penetration in the banking sector and second is to gain insight into the factors that encouraged bank management to adopt internet banking services. In order to assess the level of internet banking penetration in North Cyprus, two survey studies were conducted, first in February, 2004, and again in February, 2006.

In addition to the face to face interviews, banks' web sites and their internet banking services were crosschecked by examining their web sites in 2004 and again in 2006. The future plans of banks for offering internet banking services were reviewed and their web sites were rated from 1 to 4 according to how well they were developed and maintained. In our rating, "1" corresponds to a transactional web site and "4" corresponds to a very basic informative web site. The same process was repeated again two years later and any changes were recorded.

In order to classify banks according to their progress in adopting internet banking this research uses the conceptual framework developed by Couch and Parker (2000). Individual circumstances of banks in adopting internet banking services vary from bank to bank; however, most banks follow a similar pattern in launching their internet banking services. The normal experience of banks indicates that the adoption of internet banking usually takes one to three years. Couch and Parker (2000); shows that the process usually starts with a simple informative web site and moves toward a more extensive transactional web site. These authors described three kinds of websites used by banks. These are informational or marketing websites; communicative websites; and transactional websites. Informational web sites have marketing information about bank products and services that they want to deliver to their clients, whereas the communicative web sites involve two-way flow of information between the bank and its customers. Finally, the funds transfer over the internet requires a much more complex website than the informational and communicative web sites. With transactional web sites, customers can make queries about their

accounts and update their account information. More importantly they include a fund transfer process where clients can pay bills and transfer funds.

It is expected that banks in North Cyprus would follow a similar pattern to that indicated in the literature by Couch and Parker (2000) and O'Reilly and Finnegan (2004). In other words, banks which plan to offer internet banking services would first create an informational web site, then they would introduce a communicative web site, and finally they would introduce a transactional web site where bank customers can conduct basic banking operations. In line with this process it is expected that banks with well organized and maintained informational and communicative web sites are the ones that are most likely to adopt internet banking services first. In other words, the stage of development of the banks' web sites gives us a reliable clue of their future plans considering the adoption of internet banking services. Later, the findings of the web site analysis of 23 banks in North Cyprus are examined together with the information received from bank interviews.

Major Research Findings

Penetration of Internet Banking Services between 2004 and 2006

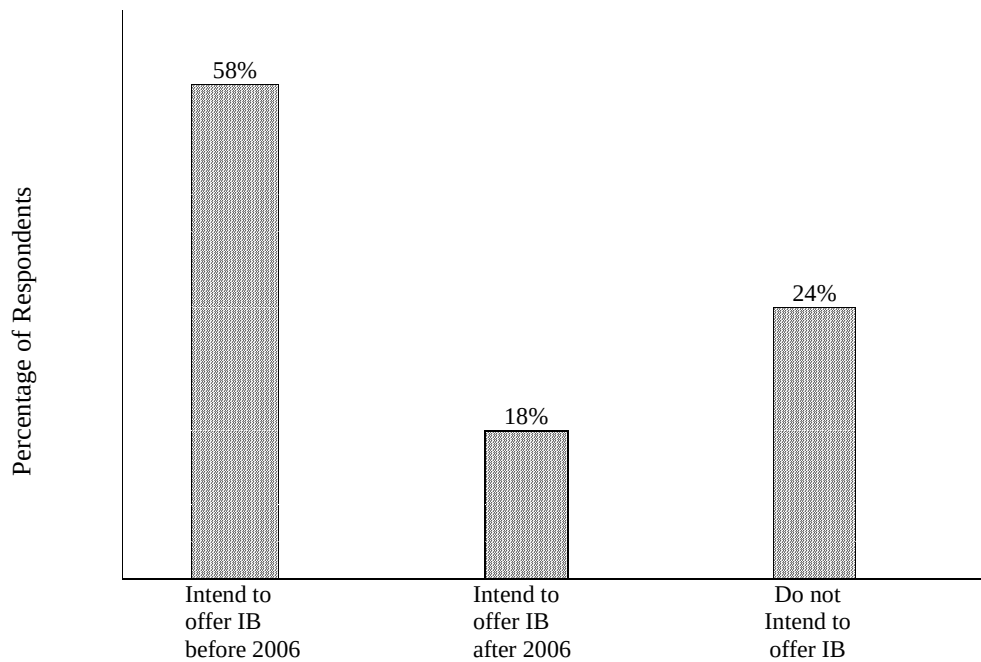
The face to face interviews conducted in February 2004 indicated that there were no domestic banks offering internet banking services in North Cyprus whereas two foreign banks, IS Bank and HSBC had been offering internet banking services since 1997 and 2000 respectively (Table 1).

Table 1: Internet Banking Activity of Foreign Banks in January 2004 and 2006.

	Name of the Banks	Existence of Informative Web Sites	Existence of Internet Banking	
			Feb. 2004	Feb.2006
1	Turkiye Halk Bankasi A.S.	2002	No	No
2	HSBC	2000	2000	2000
3	Turkiye Is Bankasi A.S.	1995	1997	1997
4	T.C. Ziraat Bankasi	2001	No	2005
5	Oyak Bank Ltd.	2004	No	2005
6	Turkiye Garanti Bankasi A.S.	2004	No	2005

In 2004, out of a total of 17 domestic commercial banks, 13 banks (76%) indicated their intention to offer internet banking in the near future whereas 4 banks (24%) had no plans to provide internet banking facilities (Figure 2). Out of 13 banks that had plans to introduce internet banking, 10 of them planned to offer their services within two years, i.e. on or before February, 2006. The remaining 3 banks indicated that, they had plans to offer this service after 2006.

Figure 2: The Number of Domestic Banks Intending to Offer Internet Banking (IB) Services: Survey Results in February 2004.



From the examination of the bank websites it was found that out of 13 banks that aimed to introduce internet banking on or before 2006, only 5 of them had well developed and maintained web sites that made them the best candidates for offering internet banking in 2006. In Table 2, these banks are rated as 2 and 3. The remaining 8 banks had very basic informative web sites therefore they are all rated as 4. Given the weak state of their web sites the majority of these banks are not expected to introduce transactional web site before 2007 even if they indicated otherwise.

During the 2004 survey it was found that most domestic banks were still using outdated IT and accounting systems that needed to be upgraded if internet banking was to be introduced. When asked about their plans for adopting internet banking services the majority of the respondent banks replied that they were currently in the process of upgrading their internal accounting

system and internet banking would be considered after this process. This suggested that banks that maintained modern internal accounting systems would find it easier and cheaper to get online than the banks with old internal systems. On the other hand, banks with outdated IT and accounting systems would have considerably higher installation costs and would require a longer time in adopting internet banking services.

All domestic and foreign commercial banks were again interviewed and their websites examined in February 2006. The summary of survey findings are presented in Table 2 for the domestic banks and in Table 1 for the foreign banks. The banks' progress in adopting internet banking services was examined between 2004 and 2006. It is found that the number of domestic banks offering internet banking services increased from zero in February, 2004 to two in February, 2006. The analysis of the web sites of banks and the interviews indicated that the plans of banks in adopting internet banking and their web site development were mostly consistent. However it was slower than anticipated mainly due to the problems of domestic banks with their internal accounting systems.

Table 2: Internet Banking Activity of Domestic Banks in February, 2004 and February, 2006.

	Name of the Banks	Existence of Informative Web Sites 1/		Existence of Internet Banking		Future Plans 2/		Web Site Rating of the Banks 3/	
		Feb. 2004	Feb. 2006	Feb. 2004	Feb. 2006	Feb. 2004	Feb. 2006	Feb. 2004	Feb. 2006
1	Akfinans Bank Ltd.	02	02	No	No	No	No	3	3
2	Artam Bank Ltd.	No	No	No	No	No	No	-	-
3	Asbank Ltd.	03	03	No	No	06	07	2	-
4	Kibris Iktisat Bankasi Ltd.	03	03	No	Yes	04	-	2	1
5	Cyp. Turkish Coop. Central Bank Ltd.	00	00	No	No	06	06	4	2
6	Cyprus Vakiflar Bank Ltd.	02	02	No	No	06	07	4	-
7	Deniz Bank Ltd.	03	04	No	No	07	07	4	4
8	Kibris Altinbas Bank Ltd.	04	04	No	No	06	06	2	2
9	Kibris Continental Bank Ltd.	03	03	No	No	06	08	4	3
10	Limasol Turkish Coop. Bank Ltd.	01	01	No	No	07	06	4	3
11	Near East Bank Ltd.	No	No	No	No	No	No	-	-
12	Kibris Faisal Islamic Bank Ltd.	No	No	No	No	07	06	-	-
13	Seker Bank	02	02	No	No	06	07	4	3
14	Turkish Bank Ltd.	04	04	No	No	06	07	3	2
15	Universal Bank Ltd.	04	04	No	No	06	07	4	4
16	Viya Bank Ltd.	No	No	No	No	No	No	-	-
17	Yesilada Bank Ltd.	No	05	No	Yes	06	-	-	1

Note: 1/ Existence of Informative web sites are indicated by the last two digit of the year that the informative web sites were first established for each bank.

2/ The last two digits of the years that banks are planning to introduce internet banking.

3/ Banks' web sites are ranked from 1 to 4, where 1 indicates a transactional web site and 4 indicates a very basic informative web site

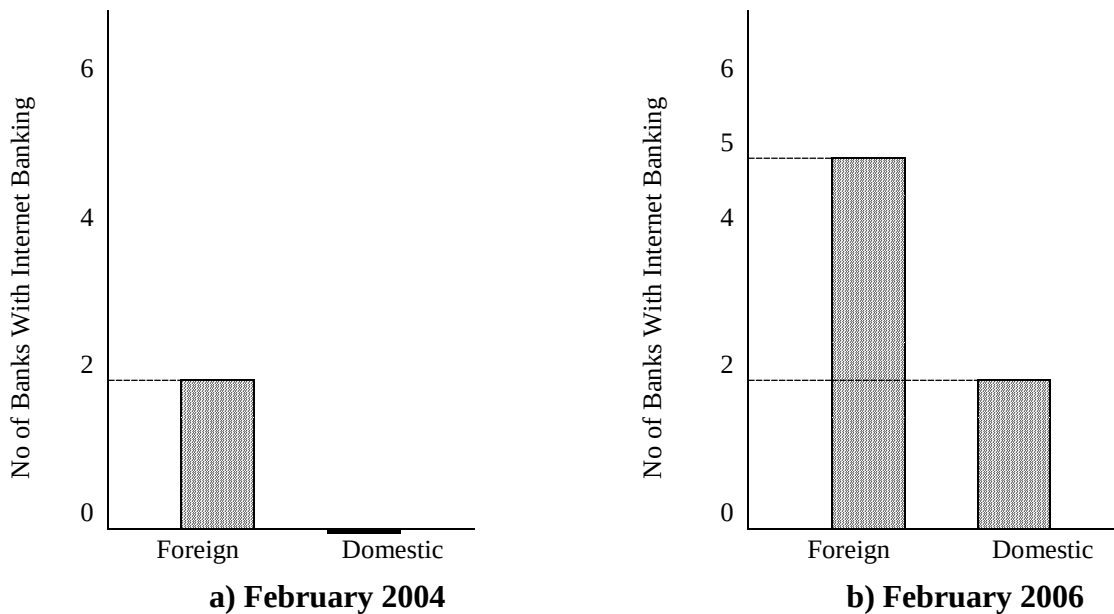
Kibris Iktisat Bankasi, the first domestic bank to introduce internet banking, launched its' informative web site in early 2003 and introduced its internet bank services in mid-2004. This bank maintains a well developed IT infrastructure and back office system that helped to bring its introductory costs down and reduced the amount of time needed to adopt internet banking services. It is also important to note that this bank is also the first local bank to offer credit cards (Smartcard) to its customers. The second domestic bank offering internet banking is the Yesilada Bank Ltd. Yesilada Bank launched both its informational web site and its internet banking services in 2005. This bank also has a well develop IT structure and internal accounting system that allowed it to offer internet banking services much faster than the rest of the banks.

Interviews and the analysis of the web sites of the 17 domestic commercial banks in 2004 and 2006 indicated that only two domestic commercial banks were able to introduce internet banking services between the period February, 2004 and February, 2006 (Figure 3). Out of 15 remaining domestic banks, Cyprus Turkish Cooperative Central Bank Ltd. and Kibris Altinbas Bank Ltd have confirmed their intention to introduce internet banking services before the end of 2006. These banks have well developed web sites (Table 2).

All 17 domestic commercial banks, with the exception of 4 banks, were consistent in moving from informative to communicative web sites from 2004 to 2006. The four banks which indicated that they had no plans to adopt internet banking had no informative web sites in both 2004 and 2006. These banks have remained outside of internet banking and still have no plans to introduce internet banking. When examined closely, it is found that these banks are the smallest domestic banks, with asset ranges less than \$30 million.

On the other hand, the number of foreign banks with internet banking services increased from 2 in 2004 to 5 in 2006. In other words, by the end of 2006 almost all foreign banks were offering internet banking services to their customers in North Cyprus (Figure 3).

Figure 3: The Number of Banks with Internet Banking Services



Major Incentives in offering Internet Banking:

In the questionnaire, both domestic and foreign banks were asked about the major reasons for introducing internet banking services in such a small market as North Cyprus. The response from domestic banks and foreign banks were different. Foreign banks stated that their decision to offer internet banking services was an outgrowth of their global business strategy rather than a service developed only for their customers in North Cyprus. All foreign banks operating in North Cyprus stated that they already had an internet banking system in their country of origin, and the expansion of their operations into a new market such as North Cyprus was not more than a small adjustment to their existing IT system.

On the other hand, the domestic banks that had plans to offer internet banking within two years indicated that providing a higher level of customer satisfaction and customer retention was their major goal in offering internet banking services in North Cyprus. The same banks also pointed that, having foreign banks offering internet banking services in North Cyprus put pressure on the local banks to provide the same services to their customers. All 13 banks that had future plans to introduce internet banking agreed that offering internet banking services would help them

improve their services and hence compete more successfully with their foreign competitors who have already provided these services.

Costs of acquiring an internet banking system in North Cyprus

The findings of this research also indicated that, in North Cyprus the cost of acquiring an internet banking system varies between domestic and foreign banks. For most foreign bank branches it is much cheaper to adopt internet banking services than it is for the domestic banks. Since most of them already have internet systems in their home countries, the foreign branch offices operating in North Cyprus need only a communication server that provides secure communication between their headquarters and the foreign branch. It was suggested by most of the foreign branch banks in North Cyprus that only minor adjustment in the software and the web site were required to allow customers in North Cyprus to start using the system.

In the case of domestic banks however, it is a much more involved process to install an internet banking system. Domestic banks have to build the systems from scratch, purchasing system hardware, software, and the web site development. According to our survey, for domestic banks the process of the installation of an internet banking system varies greatly depending on a number of factors such as the expected number of customers to be served, existing IT technology of banks, and the expected services to be offered. A similar response by domestic banks to improve service quality due to the leadership of foreign banks in the market was found by Pehlivan and Kirkpatrick (1993) for the case of Turkey during the 1980s.

A larger customer base requires a larger and thus more expensive system to serve both the number of customers and the diversity of their internal banking service requirements. In this respect, the required system for North Cyprus is expected to be cheaper as the number of potential internet users is very small. On the other hand, the majority of domestic banks maintain old, outdated back-office systems, therefore adopting an internet based system is expected to initially increase the cost of banks. Data gathered by both the existing accounting system of the banks and by the new internet banking system must be integrated to allow the two systems to communicate with each other. This will involve additional cost for those domestic banks that introduce internet banking. Some banks may choose to offer only basic internet banking applications such as balance inquiry and bill payment, while some others may decide to include

financial services such as brokerage and cash management. More advanced services will require banks to invest more in web site development, hardware capacity and efficiency. In North Cyprus, most internet banks choose to offer basic internet banking applications in order to keep their costs down.

Conclusion:

The findings of this study show that, despite a very small market to share, banks in North Cyprus are consistently moving towards providing internet banking services to their customers. The number of foreign banks offering these services increased from 2 (33%) to 5 (83%) between 2004 and 2006. On the other hand, the number of domestic banks offering internet banking services increased from zero to 2 (11%) and they are expected to increase to 4 (22%) by the end of 2006. Internet banking services are expected to be offered by all domestic banks, except 4 very small banks, by the end of 2008. When addressing the question of what motivated domestic banks to introduce internet banking services, it was found that the quality assurance of banks' services was the most important factor affecting the domestic bank's decision. In other words, the long run benefits represented by customer satisfaction and customer retention were more important for banks than short term profitability.

Furthermore, bank interviews helped to gain additional insights into what encouraged banks to speed up the adoption process and what hindered it. Most of the domestic banks in North Cyprus have outdated back office accounting systems which need to be replaced or at least updated with newer technology in order to be integrated with the internet banking system. This not only slowed the process of adopting internet banking but also increased the cost of introducing internet banking for domestic banks.

Foreign banks, however, faced much more favorable conditions in adopting internet banking services. These large international banks entered North Cyprus with their own IT technology and internet banking systems and created competition in bank service quality. This forced the domestic banks to upgrade their IT and accounting systems and embrace the internet as a way to retain their clients. Today as some domestic banks have successfully introduced internet banking services, the competitive pressures for the other domestic banks to follow is ever increasing.

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APPENDIX

ADOPTING INTERNET BANKING SERVICES IN NORTH CYPRUS - QUESTIONNAIRE -

Box A – General Information		
1. Bank's name:		
2. The date of establishment:		
3. The number of branches operating in TRNC:		
4. Approximately, what is the total size of your assets?		
5. Does your bank have a web site?	☐ Yes	☐ No
6. If yes, what is your bank's web site, www?		
7. When the web site was launched?		
8. Do you offer "internet banking services" through your web site?	☐ Yes	☐ No

If you don't offer internet banking, please continue, otherwise go to box C.

Box B – Non-Internet Bank
1. Do you have any plans to offer internet banking in the near future? If yes, when? ☐ In or before 2006 ☐ After 2006 ☐ No Plans
2. Please tell us why you don't offer internet banking services: <div style="margin-left: 20px;"> A. Only a few customers would use internet banking B. High cost of offering internet banking services C. Bank employees lack technical expertise D. Poor internet infrastructure E. Our bookkeeping and IT capabilities are not sufficient F. Our competitors are not offering internet banking G. Restrictive regulations for internet activity H. Doubt about internet banking advantages I. Other </div>
3. Can you tell us how much it would cost you to install an internet banking system?
4. Can you tell us how many clients (depositors, borrowers, etc) do you have?
Out of your existing clients, how many do you think will be interested in IB?

Box C – Internet Banks		
1. Since when have you been offering internet banking services?		
2. Can you tell us how much it cost your bank to install internet banking system?		
3. Can you tell us how much your bank pay yearly to operate the system?		
4. How many online users do you have?		
5. Why did you decide to offer internet banking?		
6. Please tick the functions that can be performed with your web site:		
	☐	View current balance
	☐	Pay bills electronically
	☐	Cash management
	☐	Apply for loans
	☐	Open a deposit account
	☐	Apply for credit cards
	Other, please specify:	
7. What do you think about the future of internet banking in TRNC?		
8. Do you recommend other banks to adopt internet banking in TRNC? Why?		
9. Any other comments		