11

Impact of E-Banking on e-Business

Dr. Mrs. Vani N. Laturkar
School of Commerce & Management Science
Swami Ramanand Teerth Marathwada University,
Nanded (M.S.)

Prof. Dr. Salve Prashant S.
Department Of Commerce
Babuji Avhad Mahavidyalaya, Pathardi
Dist. : Ahmednagar 414102 (M.s.)
E-mail:- Prashant_Salve68@Yahoo.com

Abstract:

Internet banking provides alternatives for faster delivery of banking services to a wider range of customers. The increasing popularity of Internet banking, have attracted the attention of both legitimate and illegitimate online banking practices. Customers are liable to criminal activities, fraud, thefts and various other threats of similar nature. This paper sought to explore the extent of adoption and usage of internet banking by commercial banks in Zimbabwe as well as investigate the challenges they face in the adoption of this technology. An exploratory research design was used to achieve the envisaged aims of the study. The internet is transforming the banking and financial industry in terms of the nature of core products /services and the way these are packaged, proposed, delivered and consumed (Sathye, 1999). It is an invaluable and powerful tool driving development, supporting growth, promoting innovation and enhancing competitiveness (Kamel, 2005 and Nath, Shrick and Parzinger, 2001). Internet banking refers to systems that enable bank customers to get access to their accounts and general information on bank products and services through the use of bank's website, without the intervention or inconvenience of sending letters, faxes, original signatures and telephone confirmations (Henry, 2000).

Introduction:

The nearly universal connectivity which the Internet offers has made it an invaluable business tool. These developments have created a new type of economy, which many call the 'digital economy'. This fast emerging economy is bringing with it rapidly changing technologies, increasing knowledge intensity in all areas of business, and creating virtual supply chains and new forms of businesses and service delivery channels such as e-banking. Many people see the development of e-Banking as a revolutionary development, but, broadly speaking, e-banking could be seen as another step in banking evolution. Just like ATMs, it gives consumers another medium for conducting their banking. The fears that this channel will

completely replace existing channels may not be realistic, and experience so far shows that the future is a mixture of "clicks (e-banking) and mortar (branches)". Although start up costs for an internet banking channel can be high, it can quickly become profitable once a critical mass is achieved.

Evolution of E-banking:-

The Internet is a relatively new channel for delivering banking services. Its early form 'online banking services', requiring a PC, modem and software provided by the financial services vendors, were first introduced in the early 1980s. However, it failed to get widespread acceptance and most initiatives of this kind were discontinued. With the rapid growth of other types of electronic services since mid 1990s,banks renewed their interest in electronic modes of delivery using the Internet. The bursting of the Internet bubble in early 2001 caused speculation that the opportunities for Internet services firms had vanished. The "dot.com" companies and Internet players struggled for survival during that time but e-commerce recovered from that shock quickly and most of its branches including e-banking have been steadily, and in some cases dramatically, growing in most parts of the world. One survey conducted by the TechWeb News in 2005 (TechWeb News, 2005) found e-banking to be the fastest growing commercial activity on the Internet. In its survey of Internet users, it found that 13 million Americans carry out some banking activity online on a typical day, a 58 percent jump from late 2002. The spread of online banking has coincided with the spread of high-speed broadband connections and the increasing maturation of the Internet user population. Another factor in e-banking growth is that banks have discovered the benefits of e-banking and have become keener to offer it as an option to customers.

Why Is e-Banking Important?

Understanding e-banking is important for several stakeholders, not least of which is management of banking related organizations, since it helps them to derive benefits from it. The Internet as a channel for services delivery is fundamentally different from other channels such as branch networks, telephone banking or Automated Teller Machines (ATMs). Therefore, it brings up unique types of challenges and requires innovative solutions. Many banks and other organizations have already implemented or are planning to implement e-banking because of the numerous potential benefits associated with it.

Some of these major benefits are briefly described below.

1. Choice and Convenience for Customers:-

In the fierce battle over customers, providing a unique experience is the compelling element that will retain customers. A 'customer first' approach is critical for success in e-banking. Customers hold the key to success and companies must find out what different customers want and provide it using the best available technology, ensuring that they are acting on the latest, most up-to-date information. In modern business environments, customers want greater choice. They want the traditional range of banking services, augmented by the convenience of online capabilities and a stronger focus by banks on developing personal relationships with customers. Avkiran (1999) stressed the importance of the human touch in

the customer services. Politeness and neatness, recognition in terms of greeting, willingness to provide prompt service, ability to apologise and express concern for a mistake are all important for bank customer. Most of these aspects of customer service cannot be automated. The adequacy of staff members serving customers can be expected to directly influence the customers' satisfaction. However, e-banking backed up by data mining technologies can help in better understanding customers' needs and customizing products/services according to those needs.

Attracting High Value Customers:-

E-banking often attracts high profit customers with higher than average income and education levels, which helps to increase the size of revenue streams. For a retail bank, e-banking customers are therefore of particular interest, and such customers are likely to have a higher demand for banking products. Most of them are using online channels regularly for a variety of purposes, and for some there is no need for regular personal contacts with the bank's branch network, which is an expensive channel for banks to run (Berger & Gensler, 2007). Some research suggests that adding the Internet delivery channel to an existing portfolio of service delivery channels results in nontrivial increases in bank profitability (Young, 2007). These extra revenues mainly come from increases in noninterest income from service charges on deposit/current accounts. These customers also tend to be of high income earners with greater profit potential.

Enhanced Image

E-banking helps to enhance the image of the organization as a customer focused innovative organization. This was especially true in early days when only the most innovative organizations were implementing this channel. Despite its common availability today, an attractive banking website with a large portfolio of innovative products still enhances a bank's image. This image also helps in becoming effective at e-marketing and attracting young/ professional customer base.

Increased Revenues:-

Increased revenues as a result of offering e-channels are often reported, because of possible increases in the number of customers, retention of existing customers, and cross selling opportunities. Whether these revenues are enough for reasonable return on investment (ROI) from these channels is an ongoing debate. It has also allowed banks to diversify their value creation activities. E-banking has changed the traditional retail banking business model in many ways, for example by making it possible for banks to allow the production and delivery of financial services to be separated into different businesses. This means that banks can sell and manage services offered by other banks (often foreign banks) to increase their revenues. This is an especially attractive possibility for smaller banks with a limited product range.

E-banking has also resulted in increased credit card lending as it is a sort of transactional loan that is most easily deliverable over the Internet. Electronic bill payment is also on rapid rise (Young, 2007) which suggests that electronic bill payment and other related capabilities of e-banking have a real impact on retail banking practices and rapidly expanded revenue streams.

Easier Expansion:-

Traditionally, when a bank wanted to expand geographically it had to open new branches, thereby incurring high start up and maintenance costs. E-channels, such as the Internet, have made this unnecessary in many circumstances. Now banks with a traditional customer base in one part of the country or world can attract customers from other parts, as most of the financial transaction do not require a physical presence near customers living/ working place. In one case study presented in Chapter VIII, a bank based in the southern part of the UK was attracting customers from England, where it had no branches. In many countries banks share their resources such as ATMs or use post offices as their main interaction points, with customers for services such as cash and cheques deposits.

Load Reduction on Other Channels:

E-Channels are largely automatic, and most of the routine activity such as account checking or bill payment may be carried out using these channels. This usually results in load reduction on other delivery channels, such as branches or call centres This trend is likely to continue as more sophisticated services such as mortgages or asset finance are offered using e-Banking channels. In some countries, routine branch transactions such as cash/cheque deposit related activities are also being automated, further reducing the workload of branch staff, and enabling the time to be used for providing better quality customer services.

Organizational Efficiency:

To implement e-banking, organizations often have to re-engineer their business processes, integrate systems and promote agile working practices. These steps, which are often pushed to the top of the agenda by the desire to achieve e-banking, often result in greater efficiency and agility in organizations. However, radical organizational changes are also often linked to risks such as low employee morale, or the collapse of traditional services or the customer base.

CHALLENGES FOR E-COMMERCE IN BANKING :-

Internet based e-commerce has besides, great advantages, posed many threats because of its being what is popularly called faceless and borderless. Some examples of ethical issues that have emerged as a result of electronic commerce. All of the following examples are both ethical issues and issues that are uniquely related to electronic commerce.

Ethical issues:-

Jackie Gilbert Bette Ann Stead (2001),reported the following ethical issues related to e-commerce.

1) Privacy:

Privacy has been and continues to be a significant issue of concern for both current and prospective electronic commerce customers. With regard to web interactions and e- commerce the following dimensions are most salient:

(1) Privacy consists of not being interfered with, having the power to exclude; individual privacy is a moral right.

(2) Privacy is "a desirable condition with respect to possession of information by other persons about him/herself on the observation/perceiving of him/herself by other persons"

2) Security concerns:

In addition to privacy concerns, other ethical issues are involved with electronic commerce. The Internet offers unprecedented ease of access to a vast array of goods and services. The rapidly expanding arena of "click and mortar" and the largely unregulated cyberspace medium have however prompted concerns about both privacy and data security.

3) Other ethical issues:

Manufacturers Competing with Intermediaries Online "Disintermediation," a means eliminating the intermediary such as retailers, wholesalers, outside sales reps by setting up a Website to sell directly to customers.

Disintermediation include - (1) music being downloaded directly from producers (2) authors distributing their work from their own Web sites or through writer co-operatives. Dinosaurs "Dinosaurs" is a term that refers to executives and college professors who refuse to recognize that technology has changed our lives. When an executive speaks in terms of the Internet being the "wave of the future," it is a sure sign of "dinosaur.

What is an electronic payment system? Why is it important?

An electronic payment system (EPS) is a system of financial exchange between buyers and sellers in the online environment that is facilitated by a digital financial instrument (such as encrypted credit card numbers, electronic checks, or digital cash) backed by a bank, an intermediary, or by legal tender.

EPS plays an important role in e-commerce because it closes the e-commerce loop. In developing countries, the underdeveloped electronic payments system is a serious impediment to the growth of e-commerce. In these countries, entrepreneurs are not able to accept credit card payments over the Internet due to legal and business concerns. The primary issue is transaction security.

The absence or inadequacy of legal infrastructures governing the operation of epayments is also a concern. Hence, banks with e-banking operations employ service agreements between themselves and their clients.

The relatively undeveloped credit card industry in many developing countries is also a barrier to e-commerce. Only a small segment of the population can buy goods and services over the Internet due to the small credit card market base.

There is also the problem of the requirement of "explicit consent" (i.e., a signature) by a card owner before a transaction is considered valid-a requirement that does not exist in the U.S. and in other developed countries.

What are the trends and prospects for e-banking in foriegn countries?

There is a potential for increased uptake of e-banking in Asia. Respondents of the McKinsey survey gave the following indications:

1. Lead users: 38% of respondents indicated their intention to open an online account in the near future. These lead users undertake one-third more transactions a month than do other users, and they tend to employ all banking channels more often.

2. Followers: An additional 20% showed an inclination to eventually open an online account, if their primary institution were to offer

it and if there would be no additional bank charges.

3. Rejecters: 42% (compared to the aggregate figure of 58% for lead users and followers) indicated no interest in or an aversion to Internet banking. It is important to note that these respondents also preferred consolidation and simplicity, i.e., owning fewer banking products and dealing with fewer financial institutions. Less than 13% of the lead users and followers indicated some interest in conducting complex activities over the Internet, such as trading securities or applying for insurance, credit cards, and loans. About a third of lead users and followers showed an inclination to undertake only the basic banking functions, like ascertaining account balances and transferring money between accounts, over the Internet.

Conclusion:-

E-banking is fast becoming a norm in the developed world, and is being implemented by many banks in developing economies around the globe. The implication is that banks need to increase their marketing efforts by initiating awareness programs to raise customer awareness and interest in internet banking. The main reason behind this success is the numerous benefits it can provide, both to the banks and to customers of financial services. . The implication is that banks need to increase their marketing efforts by initiating awareness programs to raise customer awareness and interest in E- banking. E-commerce creates new opportunities for business; it also creates new opportunities for education and academics. It appears that there is tremendous potential for providing e-business education. For e-commerce merchants, they can attract more consumers by providing a specific privacy policy in e-banking.

Reference:

1. *Avkiran, N. K. (1999). Quality Customer Service Demands Human Contacts. International Journal of Bank Marketing, 17(2), 61-71.*
2. *Devlin, J. F. (1995). Technology and Innovation in Retail Banking Distribution. International Journal of Bank Marketing, 13(4), 19-25.*
3. *Rayport, J. F., & Sviokla, J. J. (1995, November-December). Exploiting the Virtual Value Chain. Harvard Business Review, 73(1), 75-85.*
4. *Al-Sukkar and Hasan H. (2005) "Toward a Model for the Acceptance of Internet Banking in Developing Countries", Information Technology for Development, Vol. 11, No. 4, pp.381-398.*
5. *Summer, William G (ed.) (1971) A history of banking in all the leading nations volume1.New York: Kelley Publishers.*