

Do We Really Need to Adopt Electronic Banking?

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Abstract. Today at the beginning of the third millennium with the huge information technology revolution in all life sectors and the banking sector is one of it, many of the banks in world adopted e-banking and convert them ordinary banking services to e-banking services and this growing in e-banking services mostly came from e-commerce growing which it is value estimated in hundreds billions of dollars and all this huge business needs a strong infrastructure of e-banking to manage all the money transactions and support e-commerce so the question is “ Do We Really Need to Adopt Electronic Banking? “ ,in this paper we are trying to answer this question and highlight some of important points of it .

Keywords: Internet Banking, Electronic Banking, Banking Technology

1. Introduction

Over the last few decades information technology has affected the banking industry highly and has provided a way for the banks to differentiate their products and services. For more than 200 years, banks were using branch-based operations but the advent of multiple technologies and applications changed the nature of financial services delivered to customers. For instance, automated teller machine (ATM) displaced cashier tellers, telephone represented by call centres replaced the bank branch, the Internet replaced mail, credit cards and electronic cash replaced bank transactions. The reason was the numerous key advantages that banks could gain by providing electronic banking services. In this way they had lower transaction costs, 24 hour trading, more extended business territory and also increased efficiency in daily banking processes. Today banks are faced with a competitive environment. In order to succeed in such marketplace, they must offer a wide array of products with the latest technology. At present many banks and financial institutions are actively developing a new electronic banking products for their customers through the world. [3],[4],[8]

2. Electronic Banking

Electronic banking is the automated delivery of new and traditional banking products and services directly to customer through electronic interactive communication channels. Electronic banking includes the systems that enable financial institution customers, individual or businesses, to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the internet, it should be noted that electronic banking is a bigger plat form than just banking via the internet. Electronic banking can also define as a variety of plat forms such as Internet banking (Online banking), Telephone banking , TV-based banking , Mobile phone banking and PC banking (Offline banking) whereby customers access these services using an intelligent electronic device , like a Personal Computer (PC), Personal Digital Assistant (PDA), Automated Teller Machine, Point of Sale (POS), Kiosk, or Touch Tone Telephone. [12],[13]

2.1. The History of Electronic Banking

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Electronic innovation in banking can be traced back to the 1970s when the computerization of financial institutions gained momentum. However, a visible presence of this was evident to the customers since 1981, with the introduction of the automated teller machine (ATM). Innovative banking has grown since then, aided by technological developments in the telecommunications and Information Technology industry. The early decade of the 1990s saw the emergence of automated voice response (AVR) technology. By using (AVR) technology, banks could offer telephone banking facilities for financial services. With further advancements in technology, banks were able to offer services through personal computers owned and operated by customers at their convenience, through the use of Internet proprietary software. The users of these services were however, mainly corporate customers rather than retail ones. The Security First Network Bank was the first Internet banking in the world that that was built in 1995, USA. After that some famous banks introduced their Internet banking one after another, such as Citibank and Bank of America. [7],[10]

2.2. Benefits of Electronic Banking

Electronic banking services have provided numerous benefits for both banks and customers. The first benefit for the banks offering electronic banking services is better banking and better responsiveness to the market. Those banks that would offer such services would be perceived as leaders in technology implementation. Therefore, they would enjoy a better brand image. The other benefits are possible to measure in monetary terms. The main goal of every company is to maximize profits for its owners and banks are not any exception. Automated electronic banking services offer a perfect opportunity for maximizing profits. According to survey by Booz, Allen and Hamilton, an estimated cost providing the routine business of full services branch in USA is \$1.07 per transaction, as compared to \$0.54 for telephone banking, \$0.27 for ATM (Automated Teller Machine) banking and \$0.015 for Internet banking. On the other hand the advantages for the customers are significant timesaving reduced cost in accessing and using the various banking products and services, increased comfort and convenience. [1],[9],[14]

2.3. Launching of the electronic banking

The term electronic banking is almost generic in its nature and therefore it is mostly used without any further explanation or definition. Electronic banking includes several traditional services like telephone banking, credit cards, debit cards, ATMs. The more recent additions are Internet banking, mobile banking and digital TV banking.

Electronic banking is also known as electronic funds transfer (EFT) and basically is simply the use of electronic means to transfer funds directly from one account to another.

One of the specific features of electronic banking is that it is an add-on to an existing framework not a development of something totally new. So it is not so important to achieve critical mass instantly only in order to set up the services. Critical mass becomes important a little later with a demand for more specific services.

The greatest advantage of the late movers is that they are not rooted deep into old principles, processes and technologies. Setting up electronic banking requires substantial investments and it is very complicated to move from old technologies to new ones. In some cases worldwide the existence of a broad and well established branch office network has turned out to be a factor that has made banks see Internet as a threat rather than opportunity.

From the customer perspective electronic banking has been very well accepted in most world countries from the very beginning.

Rapid adoption of new technologies has helped the banks to leapfrog some of the traps that have slowed down the process of development in countries with better starting position. World Bank report on leapfrogging in e-finance pointed out that the three countries with impressive progress in information technology in this sense are Estonia, Republic of Korea and Brazil. [4],[5]

Creation of the world's leading electronic banking systems has been done at a remarkably low cost compared to other world class internet banks.

The functionality development of the internet banks has been from general and simple services towards more sophisticated ones.

Being on the Internet has allowed banks to cut costs on transactions, improve their image on the market, respond better to the demands of the market. Banks have used their sites also successfully to promote and cross sell their services and products among existing customers. Extra traffic is generated with providing non-banking services. The future trend is towards selling complex solutions not only single products. Most of the banks see electronic banking as an integrated part of their strategy and have put considerable effort in upgrading and re-designing their electronic banking solutions. Although the Internet banks have their own brand names they are not stand alone Internet banks.[11]

2.4. Factors inhibiting electronic banking adoption

Despite its advantages, Internet has encountered resistance in banking actions. state that both perceived characteristics and the degree of involvement of a financial product influence channel choice. Whereas high involvement transaction requires a channel that is perceived extremely secure, a payment transaction with only a small amount of money transferred requires the most convenient channel. Due to the high involvement included in most banking transactions, security and privacy concerns and perceived risk on Internet channel are found to be the major obstacles to Internet banking.

In addition to security concerns, uncertainty of usage increases the perceived risk. Argue that some customers perceive the lack of training for electronic banking usage and, thus, are uncertain with it. Furthermore, information before but also during usage is perceived to be important in order to enable customers to perform transactions individually. The information provided should be detailed enough and easily available on the web pages.

Perceived risk may also exist due to customers' uncertainty about bank's actions with errors occurring during online transactions. Problems occurring while making transactions should also be easily and immediately resolved and should not require visiting the bank branch.

Furthermore, it seems that when compared to ATM, Internet has not demonstrated additional relative advantage to all customers . Although there are studies implying that ATM usage has a positive effect on Internet banking adoption, it seems that for some customers ATM simply is a more preferable option. It is argued that the primary criterion for channel choice is usefulness with ease of use only a secondary consideration. Accordingly, some customers seem to perceive ATM more useful and more convenient than Internet channel. It also seems that some customers perceive ATM to be less risky and to entail less effort in learning. It is, further, argued that some customers do not want to become PC-literate or even to become familiar with the Internet. [2],[6],[9]

3. Conclusions and implications

As previously stated, the primary objective of the study was to answer the question is "Do we really need to adopt Electronic Banking?", and the following points are trying to answer the question:

- Internet banking, ATM, and phone banking substitute each other. If firms give more importance to one of these alternatives, less importance can be given to the others, because the customer profile of the channels are similar.
- Internet banking achieves high success rates through coordination with brick and mortar and bank branches in stores. Brick and mortar and Internet banking are supportive banking channels. suggest that contrary to all the predictions that the branch-based distribution network would become obsolete in a computerized society, the full-service branch office has survived. Also, state that brick and mortar banks used the Internet channel as a complement to, rather than a substitute for, physical branches.
- Internet banking offers ease of use and access to the customers. Many people know how to use Internet and have the opportunity to access either from their workplace or from their home. Internet banking customers are increasingly demanding better usability. Customers will also benefit from the convenience, speed, and round-the-clock availability of Internet banking.
- The customers feel unrestricted while using Internet banking. stated that willingness to use Internet banking depends on the expectations of accuracy, security, network speed, user-friendliness, user

involvement, and convenience. User involvement usually means the control the individual can exercise over a process.

- The Internet banking design provides customers to see operation alternatives more easily. stated that customers want greater convenience and accessibility, which is reflected, for example, in an increase in the number of operation options being offered.
- The users of Internet banking do not believe in the reliability of the Internet banking web sites. Customers are very private about their finances and are concerned with the security offered by Internet banking have identified that security risks and lack of perceived need are the two important factors that determine why consumers are resistant to use Internet banking. Novel techniques should be improved to increase the reliability of the web sites of Internet banking. Error prevention and recovery are very important for self-service channels.
- Internet banking operations depend on user performance, because their performance depends on whether they accomplish their operations or not. So ease of use and access are the important characteristics of Internet banking.
- Internet banking provides easy and convenient banking services. As a result, customers do not need to spend time at the bank centres. Stated that Internet services are extremely time saving for their users and cost-effective for the banks. And banks are interested in Internet banking to reduce costs.
- People develop the ability to use Internet banking by their individual and interactive search. So, user friendliness is an important attribute in computer technological services.

The implications of these findings are:

1. The Internet banking is a potential threat to phone banking and to ATM. The perceptions indicate that the customers may use the Internet banking to replace some of the functions presently done via phone banking and ATM.
2. The Internet banking is perceived as being most distinctive from WAP, brick and mortar, EFTPOS, and bank branches in stores. In other words, Internet banking complements the other banking channels. For example, banks that use an Internet address (URL) in their ads may prompt young consumers to get services via their web sites.
3. Banks should focus on using the Internet's unique characteristics and capabilities to make their web sites more reliable.

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