REASONS FOR INTRODUCING AND BASIC ADVANTAGES OF ELECTRONIC BANKING IN THE MODERN BUSINESS ENVIRONMENT

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ABSTRACT

In the modern global economy, e-commerce and e-business have increasingly become a necessarycomponent of business strategy and a strong catalyst for economic development. The integration of information andcommunications technology in business has revolutionized relationships within organizations and those between andamong organizations and individuals. The new information technology is becoming an important factor in the futuredevelopment of financial services industry, and especially banking industry. The results of this study shows thate-banking servesadvantages in modern banking sector.

Keywords: electronic banking, electronic business, benefits, banking system.

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INTRODUCTION

E-banking is an e-commerce application which allows the customers to perform any of the virtual banking functions, financial functions online in a protected and secure manner. E-banking is fast becoming a norm in the developed world, and is being implementedby many banks around the world. The mainreason behind this success is the numerous benefits it can provide, both to the banksand to customers of financial services. For banks, it can provide a cost effectiveway of conducting business and enriching relationship with customers by offeringsuperior services, and innovative products which may be customized to individualneeds. For customers it can provide a greater choice in terms of the channels theycan use to conduct their business, and convenience in terms of when and wherethey can use e-banking.

1. Concept of E - banking in the modern business

E-banking is the newest delivery channel for banking services. Banks have used electronic channels for years tocommunicate and transact business with both domestic and international corporate customers. With the development ofthe Internet and the World Wide Web in the latter half of the 1990s, banks are increasingly using electronicchannels for receiving instructions and delivering their products and services to their customers. This form of banking isgenerally referred to as e-banking or Internet banking, although the range of products and services provided by banksover the electronic channel vary widely in content, capability and sophistication.

E-banking is defined as the automateddelivery of new and traditional banking products and services directly to customers through electronic, interactivecommunication channels. The definition of e-banking varies amongst researches partially because electronic bankingrefers to several types of services through which bank customers can request information and carry out most retailbanking services via computer, television or mobile phone. Essentially, E-banking can describe as electronic connection between bank and customer in order to prepare, manage and controlfinancial transactions.

E-banking includes the systems that enable financial institution customers, individuals or businesses, to access accounts,transact business, or obtain information on financial products and services through a public or private network,including the Internet or mobile phone. Customers access e-banking services using an intelligent electronic device, suchas a personal computer, personal digital assistant, automated teller machine, kiosk, or Touch Tonetelephone.

Internet banking is system in which a personalcomputer is connected by a network service provider directly to ahost computer system of a bank such that customer servicerequests can be processed automatically without need forintervention by customer service representatives. The system iscapable of distinguishing between those customer servicerequests which are capable of automated fulfillment and thoserequests which require handling by a customer servicerepresentative. The system is integrated with the host computersystem of the bank so that the remote banking customer canaccess other automated services of the bank.

The method of theinvention includes the steps of inputting a customer bankingrequest from among a menu of banking requests at a remotepersonnel computer; transmitting the banking requests to a hostcomputer over a network; receiving the request at the hostcomputer; identifying the type of customer banking requestreceived; automatic logging of the service request, comparing thereceived request to a stored table of request types, each of therequest types having an attribute to indicate whether the requesttype is capable of being fulfilled by a customer servicerepresentative or by an automated system; and, depending uponthe attribute, directing the request either to a queue for handling bya customer service representative or to a queue for processing byan automated system. Many banks and other organizations have already implemented or are planning to implement e-banking owing to benefits of this system.

2 Advantages of E -banking services

Electronic banking is the wave of the future. It provides enormousbenefits to consumers in terms of the ease and cost oftransactions. But it also poses new challenges for countryauthorities in regulating and supervising the financial system andin designing and implementing macroeconomic policy.Electronic banking also makes it easier for customers to comparebanks' services and products, can increase competition amongbanks, and allows banks to penetrate new markets and thusexpand their geographical reach. Some even see electronicbanking as an opportunity for countries with underdevelopedfinancial systems to leapfrog developmental stages. Customers insuch countries can access services more easily from banks abroad and through wireless communication systems, which aredeveloping more rapidly than traditional communicationnetworks.

The main advantages of e-banking services are: choice and convenience for customers, accounts aggregation, enhanced Image, increased revenues, load reduction on other channels and cost reduction. E-banking system involve direct interface with the customers. The customers do not have to visit the bank's premises. Offering extra service delivery channels means wider choice and convenience for customers, which itself is an improvement in customer service. E-banking can be made available 24 hours a day throughout the year, and a widespread availability of the Internet, even on mobile phones, means that customers can conduct many of their financial tasks virtually anywhere and anytime.

Another benefit of e-banking from a customer's point of view is that most banks provide accounts aggregation services, at least internally. Accounts aggregation enables a consumer to be presented with all account details on a single page. Customers can have their financial data from many banks on one page but it currently requires consumers to provide their account passwords to the aggregator. The aggregator uses the passwords to access automatically the consumer's accounts. The information is then provided to the consumer on a consolidated basis on a single page so the customer has a full view of financial portfolio.

E-banking helps to enhance the image of the organization as a customer focused innovative organization. This was especially true in the 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 achieve success in the market.

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. This 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 to increase their revenues. This is an especially attractive possibility for smaller banks with a limited product range.

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.

The main economic argument of e-banking so far has been reduction of overhead costs of other channels such as branches, which require expensive buildings and a staff presence. It also seems that the cost per transaction of e-banking often falls more rapidly than that of traditional banks once a critical mass of customers is achieved. The general consensus is that the fixed costs of e-banking are much greater than variable costs, so the larger the customer base of a bank, the lower the cost per transaction would be. Whilst this implies that cost per transaction for smaller banks would in most cases be greater than those of larger banks, even in small banks it is seen as likely that the cost per transaction will be below that of other banking channels.

Conclusion

The advent of Internet has initiated an electronic revolution in the global bankingsector. The dynamic and flexible nature of this communication channel as well as itsubiquitous reach has helped in leveraging a variety of banking activities. Newbanking intermediaries offering entirely new types of banking services have emergedas a result of innovative e-business models. This changing financial landscape brings with it new challenges for bank management and regulatory and supervisory authorities. The major ones stem from increased cross-border transactions resulting from drastically lower transaction costs and the greater ease of banking activities, and from the reliance on technology to provide banking services with the necessary security. A lot of e-banking benefits are reason why we can expect rapid development e-banking activities in the future.

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