A General View on the E-banking

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Abstract. In recent years, e-commerce has more and more become a necessary factor of business strategy and a strong shock for economic development. The aim of this research is to examine e-banking and propose strategies to harness e-commerce into traditional retail banking services. New electronic systems and especially the "Internet business development in the last century led to fundamental are changed how cultural exchanges, economic and social communities. Internet has changed the dimensions of competition in the retail banking sector. In this paper is examining theoretical analysis on electronic money, electronic banking and its history, characteristics and ways to expand its e-banking culture.

Keywords: Internet, electronic banking, electronic commerce

1. Introduction

E - Banking involves consumers using the Internet to access their bank account and to undertake banking transactions. At the basic level, Internet banking can mean the setting up of a web page by a bank to give information about its products and services. At an advanced level, it involves provision of facilities such as accessing accounts, transferring funds, and buying financial products or services online.

In the 1990s, banks realized that the rising popularity of the World Wide Web gave them an added opportunity to advertise their services. Initially, they used the Web as another brochure, without interaction with the customer. Early sites featured pictures of the bank's officers or buildings, and provided customers with maps of branches and ATM locations, phone numbers to call for further information and simple listings of products.

2. Definition of Electronic Money

Electronic money is money which exists only in banking computer systems and is not held in any physical form. In the United States, only a small fraction of the currency in circulation exists in physical form. The need for physical currency has declined as more and more citizens use electronic alternatives to physical currency. Electronic money (also known as e-currency, e-money, electronic cash, electronic currency, digital money, digital cash, digital currency, cyber currency) is money or scrip that is only exchanged electronically. Typically, this involves the use of computer networks, the internet and digital stored value systems. Electronic (EFT), direct deposit, digital gold currency and virtual currency are all examples of electronic money. Also, it is a collective term for financial cryptography and technologies enabling it.

3. Definition of Electronic Banking

Electronic banking is an umbrella term for the process by which a customer may perform banking transactions electronically without visiting a brick-and-mortar institution. The following terms all refer to one form or another of electronic banking: personal computer (PC) banking, Internet banking, virtual banking, online banking, home banking, remote electronic banking, and phone are banking. PC banking and Internet or online banking is the most frequently used designations. It should be noted, however, that the terms used to describe the various types of electronic banking are often used interchangeably.

PC banking is a form of online banking that enables customers to execute bank transactions from a PC via a modem. In most PC banking ventures, the bank offers the customer a proprietary financial software program that allows the customer to perform financial transactions from his or her home computer. The

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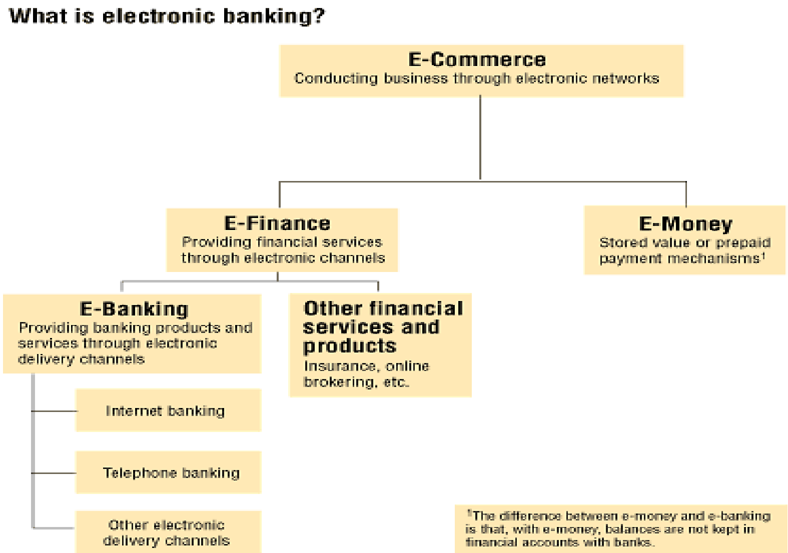
customer then dials into the bank with his or her modem, downloads data, and runs the programs that are resident on the customer's computer. Currently, many banks offer PC banking systems that allow customers to obtain account balances and credit card statements, pay bills, and transfer funds between accounts.

Internet banking, sometimes called online banking, is an outgrowth of PC banking. Internet banking uses the Internet as the delivery channel by which to conduct banking activity, for example, transferring funds, paying bills, viewing checking and savings account balances, paying mortgages, and purchasing financial instruments and certificates of deposit. An Internet banking customer accesses his or her accounts from a browser— software that runs Internet banking programs resident on the bank's World Wide Web server, not on the user's PC. NetBanker defines a " true Internet bank" as one that provides account balances and some transactional capabilities to retail customers over the World Wide Web. Internet banks are also known as virtual, cyber, net, interactive, or web banks.



4. History of Electronic Banking

While financial institutions took steps to implement e-banking services in the mid-1990s, many consumers were hesitant to conduct monetary transactions over the web. It took widespread adoption of electronic commerce, based on trailblazing companies such as America Online, Amazon.com and eBay, to make the idea of paying for items online widespread. By 2000, 80 percent of U.S. banks offered e-banking. Customer use grew slowly. In 200, Bank of America became the first bank to top 3 million online banking customers, more than 20 percent of its customer base. In comparison, larger national institutions, such as Citigroup claimed 2.2 million online relationships globally, while J.P. Morgan Chase estimated it had more than 750,000 online banking customers.

5. Impact of E-Banking on Traditional Services

One of the issues currently being addressed is the impact of e-banking on traditional banking players. After all, if there are risks inherent in going into e-banking there are other risks in not doing so. It is too early to have a firm view on this yet. Even to practitioners the future of e-banking and its implications are unclear . It might be convenient nevertheless to outline briefly two views that are prevalent in the market .The view that the Internet is a revolution that will sweep away the old order holds much sway. Arguments in favour are as follows :E-banking transactions are much cheaper than branch or even phone transactions. This could turn yesterday's competitive advantage - a large branch network, into a comparative disadvantage ,allowing e-banks to undercut bricks-and-mortar banks. This is commonly known as the "beached dinosaur" theory .E-banks are easy to set up so lots of new entrants will arrive. 'Old-world' systems, cultures and structures will not encumber these new entrants. Instead, they will be adaptable and responsive. E-banking gives consumers much more choice. Consumers will be less inclined to remain loyal .E-banking will lead to an erosion of the 'endowment effect' currently enjoyed by the major UK banks .Deposits will go elsewhere with the consequence that these banks will have to fight to regain and retain their customer base. This will increase their cost of funds, possibly making their business less viable. Lost revenue may even result in these banks taking more risks to breach the gap.

6. Role of E-Banking in the Banking Sector

Electronic banking (e-banking) is the newest delivery channel of banking services. The definition of e-banking varies amongst researches partially because electronic banking refers to several types of services through which a bank's customers can request information and carry out most retail banking services via computer, television or mobile phone (Daniel, 1999; Mols, 1998; Sathye, 1999). Burr, 1996, for example, describes it as an electronic connection between the bank and customer in order to prepare, manage and control financial transactions. Electronic banking can also be defined as a variety of the following platforms: (a) Internet banking (or online banking), (b) telephone banking, (c) TV-based banking, (d) mobile phone banking, and (e) PC banking (or offline banking). In this paper, the ATM (Automated Teller Machine) channel is also added to the research. The channels comprise two major groups: the traditional channels and e-channels. (1) The traditional channels are defined on the basis of the type of human assistance: teller, retail or corporate manager. (2) E-channels are divided into 4 sub-groups on the basis of how the channel is seen by clients, with some exceptions based on the technological processes of transaction execution: Internet-based (online bank for corporate clients Telehansa.net, online bank for private clients Hanza.net, offline bank for large corporate clients Telehansa), card-related (ATM – Automated Teller's Machine and POS –payment terminal), Phone channels (call center, IVR, mobile bank) and Automated channels ("virtual" bank core channels where direct debit and incoming payments are effected). Services are one of the primary benefits which a customer looks for while adopting a new channel. The consumers consider the benefits and weigh them against the costs associated. The Internet offers a lot of benefits to consumers, like any time anywhere banking, updated information, convenience, faster transaction, etc. E – Banking services are replacing traditional services and creating a new scale in transformation. In the initial stage, e- channels were introduced in metropolitan cities and urban areas, but recently some banks have started focusing on rural and semi urban areas. New private sector banks are taking the lead in capturing rural and semi urban sector. The different e- channels such as ATMs, Credit and debit cards, Tele-banking, Mobile – banking, online – banking and Smart Cards, are changing the face of the retail banking sector. New private sector banks and foreign banks are attracting customers in a big way. The potential customers and big companies are shifting their accounts from traditional banks (not fully computerized) to E - banks (fully computerized and provide different e – channels). If traditional banks, mostly public sector banks, do not transform their business by introducing IT, their survival will become difficult, as now-a-days IT is not a matter of convenience but a survival factor. Therefore, e – banking services are a potent factor for transformation in this e – age.

7. Conclusion

The results show opportunity cost of lost of banks customers will reduce to use of electronic banking and also indicate non-existing of enough knowledge and trust have led to decrease in using e-banking in the world and education can increases using of electronic banking services among the banks' customers in the world. Therefore government and Bankers should attempt to introduce e-banking very well in the world as early as possible.For their part, banks should: Have a clear and widely disseminated strategy that is driven from the top and takes into account the effects of e-banking, together with an effective process for measuring performance against it. Take into account the effect that e-provision will have upon their business risk exposures and manage these accordingly. Undertake market research, adopt systems with adequate capacity and scalability, undertake proportional advertising campaigns and ensure that they have adequate staff coverage and a suitable business continuity plan. Future studies can consider all of factors in empirical to improve electronic banking services in Iran or other areas.

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