



EVOLUTION OF E-BANKING AND ITS BENEFITS FOR BUSINESS

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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 startup costs for an internet banking channel can be high, it can quickly become profitable once a critical mass is achieved.

Key words – e-banking, digital economy, Internet, customers.

Objectives of the study:-

The objectives of the research paper are as below:

1. To know the concept of E-Banking.
2. To study types of Benefits of e-Banking.

Research Methodology:-

The primary source of data collection in this research paper is the secondary data. The available information on **E-Banking** has been extensively used to complete the research

report. All the available Journals, Related books, Web, Articles, Publish and unpublished information and Papers provided necessary information to the finalize the research paper.

Definition:-

E-banking is a method of banking in which the customer conducts transactions electronically via the Internet.

"It's hard to beat e-banking for the 24-hour convenience it offers Internet-literate customers"

E-banking is a product designed for the purposes of online banking that enables you to have easy and safe access to your bank account.

E-banking is a safe, fast, easy and efficient electronic service that enables you access to bank account and to carry out online banking services, 24 hours a day, and 7 days a week.

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 Tech Web News in 2005 (Tech Web 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.

Important of e-Banking:

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.

Benefits of e-Banking:

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.

2. 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.

3. 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.

4. 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.

5. 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 transactions 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 cheque deposits.

6. 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.

7. 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.

Conclusion:-

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. It is an invaluable and powerful tool driving development, supporting growth, promoting innovation and enhancing competitiveness. 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.

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