Chapter 6

E-Banking Development and Applications: Current Issues and Challenges in Rural Areas and Emerging Nations

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ABSTRACT

This chapter explores the recent e-banking application and development issues, focusing on two main areas: (1) the small to medium sized banks in remote rural areas, and (2) a comparative investigation to examine how different cultural, economic, and political factors influence the e-banking systems in different nations. Given the conditions with less population and financial resources, the research objective of the first section is to investigate how smaller and community banks located in rural areas have attempted to catch up their counterparts in larger cities in terms of the application of e-banking, focusing on emerging issues and challenges, such as Internet accessibility, culture, and tradition playing a vital role in the development of e-banking industry among different nations.

1. INTRODUCTION

Electronic finance has been continuously growing as a new industry during the last decade. The banking industry has led this trend in recent years, and called e-banking referring to all banking transactions completing through internet applications (Boss, et al., 2000; Costanzo, 2000; Ebling, 2001; Feinman, et al., 1999). E-Banking has revolutionized the way business is transacted by globalizing the business enterprise. All businesses, including small and medium sized firms, no matter their geographical locations, are all beneficiaries of e-banking. It encompasses all kind of commercial transaction that is conducted on an electronic medium, mostly through the Internet. It allows companies to make new business contacts from different global business alliance, test new products and services, and make market research and other enquiries all at a minimal cost...
both financial and otherwise (Barnes & Corbitt, 2003; Laukkanen & Lauronen, 2005). E-banking services currently available include online inquiry, e-payments, e-transfer, online 24/7 banking services greatly reduce the labor cost, extend the service edge, and increase the banking efficiency and effectiveness (Gonzalez et al., 2008; Smith, 2008). In recent years, mobile banking service is emerging as another new direction of electronic banking (Gerpott & Kornmeier, 2009). Mobile banking (M-banking) is that customers use wireless devices (cell phone, PDA, laptop, etc.) to access the internet and conduct the online services at any time from any place. M-banking is viewed as a powerful tool to complement regular e-banking with new developed services (Scornavacca & Hoehle, 2007).

While the e-banking application has advanced significantly during recent years, especially in the big cities among developed nations, in comparison, the development of e-banking application has been far behind in many rural areas (within the developed nations), and in most developing nations, although many banks in those areas and nations have been implementing E-banking during recent years. Therefore, the primary purpose of this chapter is to promote and disseminate research and studies in the e-banking application and development in the rural areas and those in emerging developing nations.

In the following discussion, the following section presents a literature review about the recent e-banking application and development in rural areas and the current issues and challenges facing the e-banking industry in these emerging nations. Section three addresses the major e-banking issues and challenges for the banks in the rural less-populated areas. Following section describes a comparative study investigating the issues in the current e-banking services in those emerging nations under different cultures and traditions. Finally, the last section discusses the potential research directions for the e-banking industry in the rural areas and those emerging nations respectively.

2. LITERATURE REVIEW

2.1 E-Banking in Rural Areas

It has been reported that the banks leading the current wave of e-banking application are those large (or super larger) national banks with most of their headquarters are located in larger cities and urban areas (Harris, 2000). And most published e-banking research works have been carried out primarily on the e-banking applications of larger banks (Shin, 2008). In comparison, the issues of e-banking applications for those smaller and community banks located in rural and remote areas have not been fully explored in the published research. Especially there are special or unique challenges facing those local smaller and community banks in terms of their e-banking applications – how to provide easy and accessible e-banking services to their local customers while having adequate operational funding to provide those services. In summary, the lack of finance resource and weak in technical expertise have been cited currently as two major obstacles in developing and maintaining e-banking services for many local smaller community banks located in remote and rural cities or counties. As such, research effort, especially an empirical study on the development of e-banking application for those local smaller community banks is apparently in need, and is the primary focus of this section.

Facing extremely intensive competition from non-banking sector, the banking industry has adopted a more aggressive approach in the development of new e-banking services. For instance, some large banks have started to install advanced software to process all consumer loan applications on-line, a new paperless e-loan process (Li, 2002; Brown et al., 2004). Empirical studies from the consumer side of e-banking have