Chapter 13
Challenges and Issues in E-Banking Services and Operations in Developing Countries

Preeti Rana
Doon University, India

Durgesh Pandey
SIDBI, India

ABSTRACT

In recent years we have seen a number of changes in banking sector of India. Main objective of banks is to create more value for customers; that is why most of the banks have begun to take an innovative approach for this purpose. In the world of banking and finance, nothing stands still. Now a day’s banking activities is not limited to deposit and lending money to customers. Apart from traditional business, banks provide a wide range of services to satisfy the needs of all types of customers whether it is financial or non-financial needs from the smallest account holder to the largest company and in some cases of non-customers. As a result of recent developments, the entire banking industry has restructured and new technologies are also introduced to make it competitive. Revolution of Information Technology has made it possible to provide ease and flexibility in operations to customers thus making life simpler and easier so bank can provide a variety of products and services to the customers. The E-Banking process has changed the way of working of banks across the world. In the chapter, the author reviews the literature on “The issues and challenges of e-banking service operation” what is the perception of people towards E-Banking in different developing countries?” As E-Banking is an emerging concept in the field of commerce and banking. This paper furnishes the study of E-banking in developing countries through an analysis of content & existing literature that focused on developing countries. The main purpose of the study is to present the current level of research on E-banking in developing countries. Electronic banking (e-banking) is the new technology in banking environment that allows the bank customers to do banking activities at any time and from any place.

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INTRODUCTION

Definition of E-Banking

“E-banking is defined as the automated delivery of new and traditional banking products and services directly to customers through electronic and interactive communication channels” (FFIEC, 2003). It is the systems which enable individuals or businesses, financial Institution or customers to access accounts, business transactions through a public or private network, including the internet (FFIEC, 2003).

Electronic banking (e-banking), also known as net banking, Cyber banking, banking, Virtual banking, Personal banking, and so many other names. As Information Technology plays an important role in banking and commerce industries. Banking relied on information technology (IT) to acquire, process, and deliver its services to all relevant users. Through E-banking it is possible to do transactions from any part of the world, it provides ease and comfortability to the customers, there is no need of physical presence of any customer in bank, Beside this there are so many issues and challenges regarding e-banking, and the main issue is behavioral issue.

Globally, the potential of e-services by banks or Internet Banking was well recognised a decade ago (Booz & Hamilton, 1997; Deloitte Consulting, 1998; KPMG, 1998; Mols, 1998; Howcroft & Durkin, 2000). More accessible and user friendly use of the technology, as the Internet does not restrict banks to physical locations or historical geographical areas, therefore banks can think in new geographical areas also, about new market areas and scope of products. From new services such as advertising, bill presentment, alerts, and notifications income can be generated. Such activities provided value added services to the customer and different new opportunities to banks for income generation and secure long term customer loyalty, through relationship management (Yiu, Grant and Edgar, 2007).

The age of Google and Wikipedia has ensured that we do most of our activities online. What is absolutely incredible is you can rely for almost everything on the internet. More business than we can ever imagine is done online. The Internet has sparked an IT-based revolution in the financial services sector that has radically altered the way that banking services are delivered. This development, referred to as Internet banking (IB), has enabled busy people to complete their financial activities in a cost-effective and efficient manner at any time of the day, regardless of their physical location (Makris et al., 2009).

According to (Gerrard and Cunningham, 2003) E banking reduces cost of banking in so many other forms such as providing ATM facilities, NEFT etc. also provides complete customer information, that’s why? Banks spend a great deal of money on E-Banking .Also contributes in improvement of quality of services which is necessary to compete in global market (Rouibah et al., 2009). For achieving these objectives, it needs customers to adopt electronic-banking. Thus, main focus of financial services providers Son development of e-banking capabilities and comprehensive understanding of perception of the customers towards this technology. (Lassar et al., 2005). Factors which influence customer adoption of e-banking is their perception and attitude towards use this technology. By identifying these factors and desire of customers, that how much motivated they are to adopt (or not adopt) this new technology top managers of banks can make policies and develop strategies to improve such technology.

Asides to developing and sustaining a market advantage, which leads to supplementary income. Banks are continuously introducing new technology across the value chain, to reduce costs of operations and administration including, management of accounts, administration of statements, disclosures etc. The
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