Chapter 1
Online Banking and Finance

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ABSTRACT

In recent years, online banking has become an alternative channel for most traditional entities. The increase in the number of users and rapid expansion has resulted in a successful strategy among financial institutions. This chapter discusses the use of technology in the finance industry and the various factors associated with it, as well as introducing the reader to the basic characteristics of online financial services. We review the current literature identifying the relevant research questions for our purpose.

INTRODUCTION

The integration of internet in business strategy is promoting the use and development of new means of purchase, such as mobile, that are enabling the rapid growth of home shopping to the consumer and providing a range of additional benefits over traditional channels (Xu, Wikes, & Shah., 2006, p. 19). Among the variety and breadth of products made available to the user, financial services are, by their very nature, particularly attractive to be marketed via internet, because they offer a number of advantages, including the possibility that the user check their bank accounts from anywhere and at any time, the facility to compare between different investment alternatives or financing options, which saves time and money (Ainin, Lee, & Wee, 2000; Gerrard & Cunningham, 2003).

Previous research suggests that internet division is the most profitable section within a bank (Pikarainen, Pikarainen, Karjaluoto, & Pahnila, 2004). The success of online banking can be revealed by analyzing the number of current and potential users of these services. Although there is still a high degree of ignorance from financial institutions on which aspects are most valued by their customers, together with barriers to its adoption, banks do not perform an efficient allocation of resources that enable them to gain competitive advantage.

In this chapter we introduce the reader to e-banking services and financial services through the internet. For our purpose, we reviewed the current literature identifying the relevant topics for the chapter.

BACKGROUND

The development of web technologies has led to the proliferation of new business models and complementary distribution channels alternative to the traditional banking, the financial sector remains one of the fastest in incorporating technological innovations. The development of e-banking is due to progress in the accessibility of communication technologies and information (Bradley & Steward, 2002), so that is the most modern provision of financial services. Since the revolution which represented the debit and credit cards, the ability to pay with them in stores, and the introduction of ATMs, it was thought that there was no more revolutionary service in the banking sector. The use of the term e-banking and no remote banking is due to the latter term is defined by the Law Society Services of Information and Electronic Commerce (LSSI, 2002) as the “supply of banking services without personal contact between employees of the bank and its customers.” However, this concept can also include remote banking systems ATMs, POS terminals and banking through mobile devices. On the other hand, e-banking includes various types
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