Chapter 1

Global E-Banking Trends: Evolution, Challenges and Opportunities

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ABSTRACT
The traditional mode of delivering products and services by banks to the consumers’ is through a single distribution channel and that is physical bank branches. Financial services industry is metamorphosing due to the advent of internet, rapid technological evolutions, deregulation, globalization as well as the impact of changing competitive and regulatory forces. In order to cope with the quick changes in the business scenario, banks started to rely on distribution channels as an alternative strategy for differentiation and gaining further competitive advantage. The abovementioned paved way for the development of the ebanking phenomena. This chapter attempts to provide a comprehensive explanation of what ebanking is, the evolution of ebanking, existing trends of ebanking in developed, developing and newly industrialized nations, future directions for further possible research and concluding remarks. The content provided in this chapter would be useful for existing and potential banks to better understand the global ebanking trends and thus aid in the effective formulation of channel management strategies and reap the benefits out of it.

INTRODUCTION
Considering the traditional methods, banks delivered their products and services to their prospective customers through only physical bank branches. However, the scenario of the financial services industry is changed with the advent of the internet, rapid technological evolutions, globalization and financial deregulations, liberalization and consolidation of the financial markets (Jeevan, 2000; Mia et al., 2007). Many businesses are forced to change their traditional modes of operation and banks indeed are no exception to the abovementioned. As a result, financial services industry became much more competitive (Thornton & White, 2001). Banks realised that

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relying exclusively on the traditional modes of competition such as on price factors is difficult and in order to increase the revenue and market share, banks started looking at various options. It is evident that the largest expenses incurred by banks are maintenance of branch network associated with human resources in the form of overhead costs. Banks started to realize non-price factors such as distribution as an alternative strategy for differentiation, gaining competitive advantage and cost cutting (Daniel, 1999).

Rapid technological advancements coupled with the expansion of the global economy in the past two decades paved way for the transformation of the banking system role from traditional trade financing to mobilizing and channeling financial resources more effectively. In an intensifying competitive environment, superior distribution strategies concerned with how to communicate with and deliver products to the customer effectively provides a competitive advantage to the banking institutions in the market place (Kerem et al., 2005). Customers are also demanding greater convenience and accessibility as reflected in longer branch opening hours and an increase in the choice of delivery mechanisms. Therefore, many banks globally have started to take initiatives to set in place more cost-effective alternative service delivery systems (Shih & Fang, 2004).

And the trend has been the proliferation of service delivery channels through which consumers can interact with the banks. Therefore modern banks provide their consumers with increased channel choice, reach out consumers through many routes. As such, ATMs, telephone, internet and wireless channels are now available to the consumers to perform their banking transactions in addition to the traditional branch banking. Banks cannot go back in the future by reducing the number of channels as consumers have become somewhat accustomed to and indeed are utilizing a broad range of options (Durkin, 2004).

Therefore the present chapter attempts to address the objectives such as:

- To understand what ebanking is.
- To look at the evolution of ebanking as a phenomena.
- To analyze the existing global ebanking trends in various countries.
- To identify the opportunities and challenges associated with ebanking.
- To suggest future research directions and recommendations.

BACKGROUND

There is no consensus among the researchers in defining what is called ebanking to date. Ebanking is often used as a supplement for internet banking. Thus, from the previous studies varied definitions of ebanking are in use.

What is E-Banking?

Often E-banking is defined as web based banking (Hertzum et al., 2004). Deployment of retail or wholesale banking services over the internet is often referred as ebanking which involves individual and corporate clients, and includes bank transfers, payments and settlements, documentary collections and credits, corporate and household lending, card businesses and some others (UNCTAD, 2002). Other researchers related ebanking to type of products and services through which bank customers request information and carry out most of their retail banking activities through computer, television or mobile phone (Mols, 1998; Sathye, 1999; Daniel, 1999). Ebanking is described as an electronic connection between bank and customers in order to prepare, manage and control financial transactions (Burr, 1996). Since the thorough analysis of the secondary data depicts that internet banking globally shows a phenomenal uptake, the