Chapter 3
Electronic Banking as a Strategy for Customer Service Improvement in the Developing Economy

Asma Mobarek
Stockholm Business School, Sweden

ABSTRACT

The objective of the chapter is to present a brief review of E-banking services especially in the developing economies, highlighting the major challenges of E-banking with a guideline or recommendations to address those challenges. Technology has introduced new ways of delivering banking to the customer. Developed countries (DC) customers of the E-Banking services are fully aware of the services but the customer’s in the developing economies still lag behind. It is clearly seen that delivery channels are lacking in meeting the demands of the customer by not making them aware of e-banking and using obsolete or not too up-to-date technology. I would thus conclude that banks in the developing countries should drown themselves in all the intricacies regarding e-banking to determine ways that will affect the customers in and use it to their maximum benefit. The other issue is that there are very few or no banking facilities in the rural areas and furthermore, access to the internet is close to impossible in these areas therefore awareness and utilization of these services is very little or none at all. At last but not the least is that Banks must adapt to the electronics age. Consumers demand it. Economics drives it. Banks must exploit it.

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INTRODUCTION

The value of banking services must now be judged and seen through customer perceptions of service quality and overall satisfaction. By focusing on customer service in terms of service quality and by using e-banking which permits well designed and structured automated applications, banks can deliver quality customer service. Equally important is the ability of the bank to customise customer service to meet raised customer profiles. Being able to listen to customers is crucial for the bank. So customer service must be an indicator of excellent bank performance in which e-banking plays a significant function.

Technology has introduced new ways of delivering banking to the customer. Developed countries (DC) customers of the E-Banking services are fully aware of the services but the customer’s in the developing economies are still lag behind. It is clearly seen that delivery channels are lacking in meeting the demands of the customer by not making them aware of e-banking and using obsolete or not too up-to-date technology.

Banks in the DC are faced with a number of important questions, for example how to take full advantage of new technology opportunities, how e-developments change, and the ways customers interact with the financial services provider etc. One of the important aspects of recent discussion on E-banking is the customer relationships. Creating close relationships with the customers is one way of instilling awareness of the available electronic banking services, which in turn promote utilization. Poor customer service in the banking industry in developing countries have resulted in high numbers of customer complaints about poor quality of banking services, negative perception and low customer satisfaction. This has in turn resulted in customers switching between banks in the industry and making customer retention difficult.

The objective of the chapter is to present a brief review of E-banking services especially in the developing economies, highlighting the major challenges of E-banking in the developing Economies with a guideline or recommendations to address those challenges.

I would thus conclude that banks in the developing countries should drown themselves in all the intricacies regarding e-banking to determine ways that will affect the customers in and use it to their maximum benefit. The other issue is that there are very few or no banking facilities in the rural areas and furthermore, access to the internet is close to impossible in these areas therefore awareness and utilization of these services is very little or none at all. Most of the people in developing countries reside in rural areas and this reflects that there is no awareness and utilization of electronic banking services. At last but not the least is that Banks must adapt to the electronics age. Consumers demand it. Economics drives it. Banks must exploit it. Hence, it is imperative for banks to align their strategies in response to customers’ needs and developments in technology.

The rest of the chapter is organized as follows: section 1.1 discusses the evolution of E-Banking; section 1.2 presents the advantages of E-banking. Section 1.3 highlights the major challenges of E-Banking especially in the developing economies, section 1.4 prescribes recommendation to overcome the challenges and finally section 1.5 reports the conclusions.

EVOLUTION OF E-BANKING

Technological developments have brought new opportunities for banks. The evolution of the e-banking industry can be traced to the early 1970s. Banks began to look at e-banking as a means to replace some of their traditional bank functions, for two reasons. Firstly, branches were very expensive to set up and maintain due to the large overheads