Chapter III
An Overview of E-Banking

INTRODUCTION

Chapter II provided an overview of the banking sector in general and its evolution over centuries. The purpose of this chapter is to discuss various aspects of e-banking including the sequence of evolution of e-banking as well as other issues which this has brought with it. The chapter starts with the general model of e-commerce to set the scene for subsequent sections, including a brief overview of how e-banking evolved and where it is heading in near future.

MODELS FOR ELECTRONIC SERVICES DELIVERY

E-commerce is about buying and selling information, products and services via computer networks such as the Internet and Electronic Data Interchange (EDI). E-banking is one form of e-commerce. The term commerce is viewed rather narrowly by some as transactions conducted between business partners. However, for the purpose of this book, a broad scope definition by Kalakota and Whinston (1997) will be used. They define e-commerce from the following perspectives:
• **Communications:** e-commerce is the delivery of information, products/services, or payments over telephone lines, computer networks, or any other electronic means.

• **Business process:** e-commerce is the application of technology towards the automation of business transactions and workflow.

• **Service:** e-commerce is a tool that addresses the desire of firms, consumers, and management to cut service costs while improving the quality of goods and increasing the speed of service delivery.

• **Online:** e-commerce provides the capability of buying and selling products and information on the Internet and other electronic channels such as EDI.

For firms e-commerce brings:

• Different and arguably lower barriers to entry;

• Opportunities for significant cost reduction;

• The capacity to rapidly re-engineer business processes;

• Greater opportunities to sell across borders.

Each and all of these potential benefits provides for increased competition and the ability to wrest market leadership from established players. For consumers the potential benefits are:

• More choice;

• Better value for money obtained through greater competition;

• More information;

• Better tools to manage and compare information;

• Faster service.

The revolutionary growth of network technologies and especially the Internet has enabled us to conduct business electronically at a global level. For this reason, most of the literature in this field refers to technological issues and is mostly application driven. There is a significant stress on the technical infrastructure that supports e-commerce applications such as networks, multimedia contents, messaging and payments. E-commerce allows new products to be created and/or for existing products to be customised in innovative ways. In the long term, competitive advantage may only be achieved by providing innovative services, or services that are uniquely bundled using web capabilities. Banks should look beyond their own industry in benchmarking other facets of operations and examine other technologically advanced industries for innovative ideas. Successful Web-based companies, such as eBay and Priceline.com, have established profitable business models that
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