Chapter VII
Problematic Issues in E-Banking Management

INTRODUCTION

The implementation of a successful e-banking strategy is far from being straightforward, as there are numerous inherent difficulties/barriers. The Internet as a channel for services delivery is fundamentally different from other channels such as branch networks or telephone banking. Therefore, it brings up its own unique challenges that require innovative solutions. Thus, a logical step for the management of banking related organizations may be to fully understand the organizational barriers inherent in e-banking.

The Internet has not only created previously non-existent opportunities for cost effective, all time available financial services, it has also increased the significance of a number of risks which did not exist or were not significant in the past. Furthermore, a number of change management issues usually associated with any new technology implementation are compounded simply because some applications such as e-banking have a greater and more immediate impact on the organization.

Building on the previous chapters, this chapter will discuss some of the most common problematic issues in e-banking implementation and management. The main focus will be on those issues which pose considerable risks to e-banking projects and may prevent banks from achieving their desired e-banking related
goals. These include: traditional structures which some banks still have and which are unable to respond to agility required for e-banking, resistance from employees, legacy systems which are an obstacle to the integration of systems, security issues, new and complex regulatory issues, and project management problems.

TECHNOLOGY RELATED PROBLEMS

IT and Telecommunication Infrastructure Issues

At present, the availability of e-banking is substantially greater in developed countries than in developing economies. Many developing countries do not have the necessary telecommunications, banking, commercial, bureaucratic and legal infrastructures to support the widespread introduction of e-banking (Simpson, 2002). Access to the Internet is a major problem in the developing world, and presents an obstacle to the growth of e-banking.

Capacity/Scalability Problems

It is difficult to predict the usage of e-banking on an hourly or daily basis. These ‘scalability problems’ can give rise to a slowing down of the website, or even a website crash (temporary unavailability). This can cause many reputation problems and financial damage. This was the case at Northern Rock Bank in UK. This bank ran into credit problem when news spread that this bank was in trouble, thousands of people rushed to the bank website to transfer their money elsewhere which resulted in numerous technical problems in their e-banking system for many days. Some of the ways of addressing this problem according to Seargeant (2000) are:

• Undertake market research to predict demand,
• Adopt systems with adequate capacity and scalability,
• Undertake proportionate advertising campaigns, and
• Ensure adequate staff coverage and develop a suitable business continuity plan which not only helps coping with scalability problems but with other causes of systems failure.

A number of other technical solutions are also available to address this problem but owing to the high cost associated with them, some banks do not implement them.
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