Chapter XII
E-Banking: A Fuller Picture

INTRODUCTION

This last chapter is a summary of previous chapters. Whereas previous chapters focused on specific issues in e-banking, this chapter presents a summarised full picture along with recommendations about good practice in the domain. We defined e-banking as provision of information about a bank and its services via a home page on the World Wide Web (WWW). More sophisticated e-banking services provide customers access to accounts, the ability to move their money between different accounts, and making payments or applying for financial products via e-Channels.

E-banking started in the form of PC banking in the early 1990s, through which a user could use a PC and dial up modem to login to their bank’s system without connecting to the Internet. Owing to various reasons such as lack of functionality, call costs and so on, this approach didn’t quite gain wide acceptance. With the arrival of the Internet, interest in e-banking re-emerged and many banks started offering e-banking in the late 1990s. During the last decade or so, new players such as Internet only banks as well as other organizations such as supermarkets or clothing retailers have also started offering e-banking. While large banks still hold the major market share, these new arrivals are winning noticeable market share. The importance of services distribution channels is also changing at a rapid pace.
In the past the main source of retail banking services distribution was ‘bricks and mortar’ branches. With the arrival of other channels such as telephone banking and e-banking, the number of branches is steadily declining, a trend also fuelled by mergers and takeovers. Now, most banks choose to deliver their products and services through multiple channels, including the Internet and telephone.

Often the main goal of e-banking is to provide most, if not all, of the services offered at a branch. This may include transactions as well as information, advice, administration, and even cross-selling. However, the interactive nature of the Internet not only allows banks to enhance these core services, but also enables banks to communicate more effectively and enrich customers’ relationships. When combined with the improving analytical capabilities of data mining, customers’ relationships management and other related technologies, the potential for enriching the relationship with customers is huge.

In the context of e-banking, many challenges lie ahead in the banking sector. First of all, banks need to satisfy customers’ needs that are complex and difficult to manage. Second, they need to face up to increased competition from within the sector and from new entrants coming into the market. Third, they must continually invest in new products and services in the light of the changes described above. Central to meeting these challenges is the development of strategies to exploit existing markets and explore new ones using new delivery channels such as the Internet or mobile banking. However, these new delivery channels bring their own sets of organizational and external challenges, which need to be managed in order to achieve success. This chapter presents a summary of these issues, as covered in detail in previous chapters.

**REASONS FOR IMPLEMENTING E-BANKING**

E-banking is a significant investment, so the question must be answered as to what motivates banks to participate and deal with the associated problems and risk. This section summarises some of the reasons often cited by banks to be their primary motive for implementing e-banking.

**Customers Demands**

With the emergence of the digital economy the balance of power seems to be shifting to customers. Customers are increasingly demanding more value, 24 hours availability, with goods customised to their exact needs, at less cost, and as quickly as possible. To meet these demands, banks need to develop innovative ways of creating...
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