# Introduction to electronic banking essay

[Finance](), [Banks]()

Banking institutions have become an essential component of most economies. Whether they are described as ‘ engines’ for economic growth or whether they act as ‘ conduits’ towards promoting economic growth, the simple fact remains that they are inextricably linked to the economy and its well-being. Innovation has become an essential ingredient to service and remain useful in a changing and competitive environment. Banking having perceived this fact have taken towards this route of innovation without much hesitation.

Of late, however, technological innovation has become the name of the game. Banks have enabled a vast array of financial products and services, being made available to retail and wholesale customers through electronic distribution channels, commonly referred to as e-banking. This trend is not totally unexpected as banks have always been in the forefront of harnessing technology to improve products, customer satisfaction and efficiency. The Basle Committee on Banking Supervision defines e-banking as “….

the provision of retail and small value banking products and services through electronic channels. Such products and services can include deposit taking, lending, account management, the provision of financial advice, electronic bill payment products and services such as electronic money”. This book is largely concerned only with consumer electronic banking aspects of which will be dealt in greater detail elsewhere in the book. Having gone through the various stages of e-banking, Malaysia has now reached the Internet banking phase.

Bank Negara Malaysia (BNM) defines Internet banking as "… to bring products and services offered by banking institutions through access devices including personal computers and other intelligent devices". Banking products in Malaysia are taken to include savings and current accounts, fixed deposits, loans fixed income products, trade finance and, of late equities and insurance (sold over bank counters under the concept of universal banking). ' Intelligent devices' on the other hand are taken to include interactive television, palm computers, mobile telephones (WAP, GPRS, 3G technology).

The devices exclude point of sale terminals (EFTPOS). ATM, telephones and smart cards, which are also electronic banking access devices (Salomon Smith Barney, 2000). The Monetary Authority of Singapore (MAS) also provide a similar definition, where Internet banking refers to "…. the provision of banking services and products via electronic networks and delivery channels based on Internet technologies, including web-based applications and wireless networks". New technology and new products have, no doubt, attracted new prospects, problems and consequently approaches.

Regulators are beginning to recognize that each bank's risk profile is different and requires a tailored risk mitigation approach appropriate for the scale of e-banking operations, the materiality of the risks present and the willingness and ability of the institution to manage their risks. This implies that a " one size fits all" approach to e-banking risk management issues may not be appropriate (Rajashekar, 2001). Having taken stock of the environment, regulators have reacted, often proactively.