

Advantages of internet banking to customers and financial organizations essay sam...

[Finance](#), [Banking](#)



Internet banking is the new revolution in banking. Since commercialization of internet in 1980s, there has been a great revolution in e-commerce and e-banking has become an important aspect of service provision by financial organizations. Millions of customers are today making transactions online and they don't have to go to their branches for banking services. All over the world, there is a growing trend on e-banking based on increased penetration and adoption of internet services (Peterson, 2010). The drive towards increased e-banking has been orchestrated by different factors which are advantageous to both consumers and financial organizations. This paper looks into advantages of e-banking from the perspective of consumers and financial organizations.

One advantage of e-banking is that it has provided opportunity for all day round banking services. With most world economies now operating on 24 hour bases, most banks find it necessary to provide financial service for 24 hours. However, they don't have to keep their branches open for 24 hours. Internet banking makes it possible to customers to carry out their transactions online, which means branches don't have to be opened for 24 hours. This aspect is advantageous to both consumers and the financial organizations as well. For customers, they have that convenience since they can access their money any time of the day without having to go to their branches. For financial organizations, this is an advantage because it cuts on their operating cost. If they had to operate for 24 hours, they have to keep their branches manned by staff in addition to enhanced security details. This is additional expenses compared to the amount of money they will have to use to maintain IT infrastructure that provides e-banking.

Conventional banking is slow, time consumer, tiring, and sometimes boring. You will hear of complains every time customers are on the line since they are angered by the slow movement of long queues (Bora, 2010). Internet banking is has reduced the total time required to process bank transactions and has driven most people out of long banking queues to ATM machines where they can withdraw and deposit money with ease. Internet banking has made banking faster and convenient for both customers and financial institutions as well.

For most customers, internet banking has broken the distance barrier in banking. Previously, customers were forced to travel miles to access financial services from their banks. With internet banking, customer can make transactions with their banks thousands of miles away from their branches. Customers can now reschedule their future payments from their bank accounts without having to travel to their branches. They can also transfer money electronically from their branches within seconds. In addition, the enhance convergence of technology has made it easier for most customers to transfer their money from their bank accounts to their cell phones or to their cards. This is considered a great revolution in banking industry that will have an impact in current and future banking (Skontue, 2010).

Apart from money transfer, internet banking has enhanced other banking services as well. It has become easier to apply for loans without having to visit local bank branch. Banks can also share credit information regarding their customers through the internet and this reduces the overall time

required for loan processing. Internet banking has made it possible to buy and sell stocks and securities using bank accounts (Pooter, 2008). This means that customers do not to juggle tedious process of registering for stocks or securities and then going to make payment through their banks. Internet banking provides one-size-fit-all for banking services. Customer can now open and close accounts at the click of a button on their computers. With the growing acceptance of digital signature all over the world, internet banking has become pleasant, interesting, and most efficient for both consumers and bankers as well.

Another advantage of internet banking pertains to its effect on cost. Internet banking is cost effective. It makes it easy to deal with thousands of customers at once compared to physical provision of financial services where customers have to queue for long hours and this required banks to increase their customer service staff. With internet banking, most banks are not required to hire extra clerks and administrative work is also drastically reduced. Bank expenditures on paper slips, forms, and stationary are also reduced drastically. All these leads to reduction in total cost of operation and it lead to increased profit margin for customers (Russell, 2010).

Advantages of internet banking override disadvantages that are associated with e-banking. Some of the disadvantages of internet banking have to do with security. Most customers feel that internet banking is not safe since they are required to fill in important personal details (Yiu, Grant and Edgar, 2007). With increased cases of cyber crime, most people still fear bank transaction online. People are always wary of the security of their

passwords, username, pin number, and other bank details. However, these are just some fears which have been overcome with extra caution with personal details. This means that they should not stand in the way of the consumers and bankers.

Internet banking has created a revolution in the banking system. It has made banking fast and convenient eliminating most of the hassles which were experienced previously in internet banking. It has become easier to access banking services all around the clock and even when miles away from personal branches. For financial institutions, internet banking is cost effective as it reduces the cost of operation. Internet banking defines the future of banking.

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International Journal of Information Management 27(5): 336-351