

# History about the internet banking marketing essay

[Finance](#), [Banks](#)



As we all know Internet Banking is becoming popular in every part of the world and Mauritius comprises of one those countries where Internet Banking is being adopted by many people. So we will study the factors that influence the implementation of Internet Banking for the situation of the developing Mauritian economy. The frequently used services by Mauritians are inter account transfer, payment to other personal account, transfer to credit card account, and recharge mobile among others. The Banking Industry is likely to be the principal actor in E-business. Banks have acknowledged an internet presence with numerous aims and most of them are using the internet as a new distributing system. In Mauritius there have been some specific problems that are limiting the e banking adoption they are mainly attitude towards technology, security and privacy concern, trust in banking firms, the e-banking culture, and skills and penetration. E-banking will flourish if the main structures, especially the payment of bill are handling well. The banks have already started to focus on increasing and refining E-banking services as they have started to work together with various usefulness companies to enable customer to perform numerous functions online.

Keywords: e-banking services, banks, Mauritius, effectiveness, challenges

## **INTRODUCTION**

A feature of the banking industry across the world has been that is progressively becoming turbulent and viable, categorized by an increasing development towards internalization, mergers, takeovers and alliance of the banking industry. Pikkarainen, Pikkarainen, Karjaluoto, and Pahnila, (2004, p. 224) defines internet banking as an ' internet portal, through which

customers can use different kinds of banking services ranging from bill payment to making investments'. Apart from removal of cash, internet banking allows its customer to have access to nearly any kind of banking operation at the click of a mouse. Banks have tried to build customer satisfaction through the delivery of better products and services and at the same time to lessen the operating cost. Thus the world of banking industry has been constantly transforming and with the arrival of technological developments, mainly in the area of telecommunications and information technology, one of the latest revolution that took birth, and quite unavoidably has been the internet banking. Most people have heard of e-banking but they have not tried it as for them it. Many people still pay their bills by mail and deposit checks at banks much of the way almost every people do including our parents. Individuals might shop online for loans, insurance and may other things but when the time reaches to commit themselves they will be more at ease and secure to go at their banks. Online banking is not out to alter your money habits. Instead, it uses today's computer technology to give you the opportunity of avoiding the time-consuming, paper-based aspects of traditional banking in order to be able to manage your finances more rapidly and professionally. The appearance of the Internet and the popularity of personal computers offered both a chance and a test for the banking industry. it has been for years, financial institutions have used influential computer networks to mechanize millions of daily dealing. Today, often the only paper record is the customer's receipt when the sale is done. At the present customers are connected to the Internet via personal computers, banks envision similar economic

advantages by adapting those similar internal electronic processes to home-based use. Most banks view e banking as an authoritative “ value added” tool to be able to attract and preserve new customers though by using the help to eradicate expensive paper handling and teller contact in an progressively viable banking environment

## **Evolution of E-Banking**

Over a last few decades, technology had drastically affected the banking industry which gave rise to a new concept called E-Banking. E-Banking became popular in late 80s where the system could be accessed with phone lines. But nowadays with computers and internet, E-banking continued to grow. Online Banking was first adopted in New York in 1981 where the major banks like Citibank, Chase and others provided home banking services by making use of a system called videotext. Stanford Federal Credit Union was the first service provider of internet banking in October 1994.

The use of E-Banking business is advantageous for both business and stakeholders. They can access the service 24-hour and retrieve any information easily. Moreover, it is affordable for both large and small companies. In addition, it has created new way of marketing the financial services and share mutual support and guidance within a virtual community (Barnatt 1998).

But on the other side, there are dangers and disadvantages of E-Banking prevailing. It can be seen that the system available for accessing the services may be discouraging because of poor control in many cases. There

is always the threat of hackers whatever the level of security is (Souflis 2002). Furthermore, there is no direct contact with customers and banks (Baldock 1997; Danial 1999; Ramsay and Smith 1999). It can be seen that whatever be the challenges faced by E-Banking, still there are new entrants providing the above services worldwide and they are trying to manage that effectively.

## **Internet Banking around the World**

In European countries, online banking has been adopted differently. It was seen that most banks which were of medium size made use of internet banking at the very start. However, when comparing the response rate of North Europe from that of South, it could be deduced that the Northern Europeans adopted online banking at a quicker pace. In early times E-Banking was dependent on the level of education and in some parts of Europe there was highly educated people compared to other parts. Reaching 2008, around 60% of households had started using E-Banking.

In USA, banks had lagged behind to adopt internet banking at the very start but slowly they did catch up. The banks like Bank of America, Citibank and Wells Fargo were the main banks providing online banking and they were the mega banks in USA. They had dominated the internet banking field for quite some time. Nowadays, there is 80% of credit unions offering this facility and they have around 6, 300 members in this sector. It can be seen that in the American countries, banks make use of internet banking as a business strategy to increase market share rather than making profits.

In the study carried out by Capgemini, Unicredit Group and European Financial Management and Marketing association, it was deduced that most banks made use of internet banking as a strategy aiming to attract more clients by offering lower price for products and services. But, it was not advantageous for all banks in all countries. For e. g. In Russia, providing internet banking facilities to its customers was very expensive. This has caused an impact on their market share as clients were unable to benefit from lower prices and moved to other means where costs were low.

In Romania, E-banking was introduced in 1996, by a foreign bank followed by local banks in 1998 and 1999. Many people did not have internet connection at that time and the target customers were mostly companies. In 2003, there was 18, 000 users of internet banking which gradually increased to 200, 000 in 2006. In the year 2007, internet banking completely entered the main stream in Romania.

In May 2007, a study was conducted on internet banking services which considered 5 banks in the Romanian Banking sector which were the Bankpost, B. R. D, Banca, Transilvania, HVB Tiriac, Raiffeisen Bank. The usability study looks into accounts of those customers who were computer literate and had at least one card to be used online. It was concluded that customers were more conscious about security and risks involved in E-banking rather than the benefits that were provided. But, today in Romania, people are more conscious about the opportunities that E-banking provides and they want to switch to these services as fast as possible. It can also be

seen that youngsters are more interested in using all these services especially in the modern times.

E- Banking allows customers to do almost everything without having to go in any branch of their banks. It offers a range of advantages and they are mainly the same around all countries and they are:-

Informational: They provide clients with information about the products and services offered by banks which are free of cost.

Communication: clients can get information about their accounts and can update their profiles as they can get access to the bank's main system.

Transactional: Customers can pay their bills, transfer money, make loan application without any inconvenience of going to bank, waiting for their turn and complete their transactions. Time is also saved.

Moreover, with E-banking, banks can target customers of other countries not necessarily the home countries.

In this technological age organizations around the world are making extensive efforts to cope with the evolving business environment. Increases in domestic and global competition, are causing markets to add pressures on the organizations to come up with effective responses to survive and succeed. Ease in the international trade barriers, economic globalization, globalization and deregulation are major challenges that organizations in developing and newly industrialized economies such as India. To be able to respond to the changes in the external environment effectively, companies

are using information technology (IT) as a tool to improve their productivity and competitiveness.

Over the last decades India has been one of the fastest economies to adopt information technology, in particularly due to its capability to offer software solutions to organizations across the world. This comparative advantage has enabled India to provide remarkable impetus to their domestic banking industry to present latest advances in technology, especially in the internet banking and e-commerce arenas. (kannabiran, narayan, 2005).

Banking industry in India does not contrast much from other industries in terms of facing constantly changing market conditions and leverages. IT is basically used for competitive advantage purposes. In today's global context, IT has become an imperative for organizations to remain competitive and grow effectively. Even if the technological advances around the world had been quite fast over the past years, the process was relatively slow in India. The emergence of new private banks in India changed the entire scenario drastically since these banks' business model evolved around IT. As a result IT became an important strategic necessity for banks in the industry to remain competitive.

Prior to the 1990s IT was used to automate the back offices of banks. From then on IT has been deployed in different types of back-office and customer interface activities. From technological perspective, Indian banks found it difficult to adopt information technology both as a strategic tool and as an operational necessity.



The first challenge had been the availability of comprehensive and centralized banking application that could cope with the various operational requirements and controls that could be adapted to the Indian banking environment. The second challenge was the difficulty to set up a strong communication network connecting the branches of the bank to the data center hosting the core banking applications.

With the expansion of internet usage, e-banking is one of the most revolutionized components in this new era's economic growth. E-banking is somehow said to be the most powerful value-added tool to attract new customers and retain existing ones. Proliferation of internet and computer usage has only caused the electronic banking delivery to become ideal and to meet customer expectations. This has been the result of the adoption of internet banking by Malaysian banks.

Malaysia has endeavored to develop its e-commerce significantly. Banking organizations in Malaysia are offering online transactional services for its customers via banking services.

In Iran, Amin Sulaiman et al. (2005) conclude that the adopters perceive e-banking to be an easy and convenient way and carry out their E-banking transactions either from their homes or office, also, the age, income and job positions held influence E-banking adoption. Higher adoption was seen amongst younger persons, persons with high salaries and those holding higher positions.

The introduction of internet banking has only brought up the concept of “Anytime Anywhere Banking.” Banks have been spending lots on the technological wave of internet banking. It has also discouraged physical transactions by simply levying additional charges at the physical branches. Due to high investments in technology and its adoption by numerous banks, the internet banking sector has known tremendous growth.

From the Asian experience, it is clear that Internet Banking is here to stay and is a key channel to acquire and service customers. Since 2006, internet banking has increased by more than 45.4 million in the Asia Pacific regions. In markets like Korea and Singapore, over 10% of their population makes use of the Internet banking facilities. Even though these markets are a long ahead of India both in terms of internet penetration and on-line banking services, we should not forget that India has very big potentials and is a world in itself. India is speeding to catch up with its other Asian counterparts.

## **Mauritian Context**

With the trend of globalization all around the world, it is almost difficult for a country whether big or small, developed or developing to remain separated from what is happening around. For a country like Mauritius, which is one of the promising emerging markets, such separation is almost impossible, more specifically in the information Technology area. Information Technology has reduced in size the world, and as a result, time and distance is of no importance. In the current global context, information Technology is of great importance for organization to remain competitive and to grow (Uppal and Chawla, 2008). The concept of banking in Mauritius has drastically changed

where technology is the most predominating factor which has helped banks to have new products and services in order to win the competitive market. Before the electronic era, the entire banking in Mauritius was conducted manually and very little through computers, but today almost every transaction is done electronically.

Long ago in Mauritius, banks conducted their activities mainly in the banks itself, that is if customers had to make any transactions or have recourse to any services offered by banks, they had to go to the banks in order to be able to conclude their transactions. But, many changes have occurred in the global business environment in the last decade of the 20th century, among which is electronic commerce, or trade of products and services through internet and telecommunication networks (kalakota & whinstone, 1997). Nevertheless, the effect of electronic commerce has been more obvious in the banking and financial services industry in contrast to other industries (Bughin, 2004; eMarketer, 2000). The adoption of technology by the banking industry in many countries around the world has been at a very high level. But the process in Mauritius has been slow over the last several years. It got off to a slow start and only picked up momentum in the 1975's. Information Technology was mainly employed to automate the back-office and customer-interface activities of banking.

It was only in the year 1997 that internet banking really becomes in operation. It is a relatively recent phenomenon in Mauritius (Padachi et al, 2007). This was mainly due to a relatively good quality infrastructure with respect to communication, internet facilities available to almost every citizen

of Mauritius and has the highest education attainment as well. In 1997, out of the 11 banks in Mauritius, only 4 of them, namely the Mauritius Commercial Bank, the State Commercial Bank, Banque de Mascareignes and Barclays were offering internet banking facilities (Padachi et al, 2007). But today almost every bank in Mauritius is offering e-banking services. Some of the e-banking services banks in Mauritius are offering are: mobile banking, electronic bill presentment and payment, fund transfer between a customer account to another customer's account or to any banks, loan application and transaction, receiving or checking bank statement online, Automatic Teller Machine (ATM) and many others. In the next paragraph, we will study the e-banking services in more details.

## **E-Banking services**

The e-banking services that the Mauritian banks offer are as follow:

### **Mobile banking**

Mobile banking is a term used to perform balance account transactions, balance checks, payments etc. via a mobile device such as mobile phone or Personal Digital Assistant (PDA). Mobile banking today is most often performed via SMS or the Mobile Internet. There is also the recharge of mobile phones where a customer can recharge his mobile's credit anytime and anywhere. You just have to send a text to recharge your mobile or to check your bank balance wherever you are<sup>1</sup>.

## **Electronic bill presentment and payment (EBPP)**

This service facilitates payment of electricity, telephone bills, insurance premium bills and many others by allowing its customers to electronically settle payments of goods and services. Customers and billing companies can use the phone or the internet to make payments as well as having access to their billing information where the company bills its customer and receives the payment electronically. EBPP can provide significant savings to traditional print & mail billing and payment remittance, and also causes significant reduction in the use of paper. The customer does not have to pay their bills in person, delegating it to the bank and as such saves time for the customer<sup>2</sup>.

1 <http://en.wikipedia.org/wiki/mobile-banking>

2 <http://en.wikipedia.org/wiki/EBPP>

## **Fund transfer**

Customers can transfer any amount from his own checking or savings account to another customer's account of the same or any other banks. They can transfer funds in any banks in Mauritius and also overseas. As such, it allows customers to use this service 24 hours a day, 7 days a week as compared to traditional fund transfer. It offers greater security as no tangible cash is involved. This service also provides a fast and perpetual connection with the bank<sup>1</sup>.

## **Loan application and transaction**

Nowadays customers no longer have to wait long time in queues for a loan application. They can simply apply for a loan online. They only have to sign in to have access to the online services and enter the sum of money which they want to receive as loan. The customer is either notified by mail or by telephone and the notification is faster than traditional loan application.

## **Checking and receiving bank statement online.**

The customer just has to enter his PIN number in order to check his or her bank statement online. It is a flexible and convenient service where the customers can have access to their bank statements anywhere in the world, whether it's at home or at work even if the bank is closed. It also eliminates paper processing.

## **Automatic Teller Machine (ATM)**

[1http://www.hsbc.co.mu/1/2/personal/Personal-bankingATM](http://www.hsbc.co.mu/1/2/personal/Personal-bankingATM) is a device that allows the bank's customer to have access to financial transactions in a public space without the help of a bank teller. On the ATM, the customer is identified by inserting his ATM card that contains a unique card number and some security information. The customer just has to enter his PIN to have access to his bank account in order to make cash withdrawals and to check his account balance. Thus customers saves time as they do not have to make queues for withdrawal of their money in banks and also, the speed of transaction is faster than the traditional banking channel. They can also withdraw money anytime they want (Salami).

## Challenges

Over the past few years, numerous financial bodies have launched e-banking over the Internet. Given the necessities of matching marginal gains versus marginal costs, measuring the effectiveness of market growth along definite scopes and segments, and determining whether the new technology would be recognized, it is authoritative that this result is frequently re-evaluated. Commercial banks face substantial tests on both the supply side and demand side, allied in specific with race, product-service excellence and diversity, cost effectiveness, transaction security, and demographic alteration (Zigi Liao and M. T Cheung).

Despite that information technology has enormously improved operating efficiency in the banking sector, it has also weakened the bank's information system. The negative effects on online banking are very few but have a significant impact on customer satisfaction. Customer who lacks computer skills and is not at ease in using the internet may find it difficult to navigate and learn how to use online services thus causing frustration.

Forgery is another challenge concerning e-banking as there are some proxy websites or fraud, which can hack information which a person entered when doing a transaction and exploit it unfairly. Therefore, people may lose their money without realizing it and by the time they are aware, they have already make huge losses. Matila and Matila(2005) ascertained that security impedes the adoption of e-banking. As such, customer loses the bank's confidence. Customer confidence is another barrier towards the adoption of

e-banking as lack of trust may prevent customers from using electronic channel (Steward, 1999).

Another challenge of e-banking is that it takes time to get the Internet account started, as it needs a lot of paper work. Some people evade using Internet banking services as they find it hard to comprehend how it works. Also, the fact that an incorrect click can cause financial losses may be a preventive. Internet banking can also pose difficulty, then if the network crashes in one's area this may originate into trouble, if the person has to do an essential deal.

Furthermore, Clerk and Mills (1993) implies that some customers will prefer face-to-face interaction by establishing personal contact with the bank who want social and psychological benefits, thus detrimental to e-banking.

One very common challenge of e-banking is when a person has a difficulty or a query. In traditional banking, if someone is in difficulty, he can go to an employee of the bank to solve it. But, in the case of e-banking, he will find himself making infinite calls to the customer service department. Another problem encountered by a customer is where he is put on hold or his phone call is passed from one employee to another thus annoying the customer.

Access to internet is one of the major barriers for e-banking. E-banking services is determined by the number of people having access to internet and also the cost of internet connection(Li and Worthington, 2004; Sonail and Shanmugham, 2003).



Age is another factor that affects the adoption of e-banking. Elderly people are more reluctant to use e-banking services as compared to younger generation. As pointed out by Oumlil and Williams(2001), mature banking customers are not innovators of new technologies, but are rather reluctant or are small in number towards adoption of new services.

Though, e-banking has certain challenges, one can gain of its customer-friendly services, if one is cautious and careful. One should never give away his password to any unknown person and to make the experience of Internet banking an easy process and must use sites that are familiar and reliable.