

Overview of electronic funds transfer marketing essay



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ABSTRACT

My thesis is based on the E-banking technology in which consumers can acquire more perfect, more rapidly and quick banking services from the programmed banking system. This technology has also been implemented by the global banks as well as by banks in Pakistan to provide well-organized and efficient services to their privileged consumers. The objective of this thesis is conceded to unchain the importance that Pakistani banks are associated with this form of e-banking technology that is being executed by the banks for providing the electronic services to the consumers and in what degree this technology is significant to customers. This research work will also aid to conclude whether the e-banking services are more perfect, more rapidly and quick banking services.

CHAPTER 1

INTRODUCTION AND BACKGROUND

1. 1 INTRODUCTION

When Internet has entered into our daily life, the most dimensions of our lives such as education, communication, business, etc, were overshadowed by this novel phenomenon. One of these dimensions is to handle banking affairs through the Internet (Shirali & Shahreza, 2007). According to (Richard Nyangosi & Arora, Sumanjeet Singh, 2009) banking through electronic channels has gained much popularity in recent years. This system, popularly known as ‘ e-banking’, provides faster delivery of banking services to a wide range of customers. Information technology is becoming an important factor

in the future development of financial services industry, and especially in banking industry

(Nami. M. R, 2009). In current business environments, customers using the services products of the banks want better choice. (Avkiran, 1999) stressed the importance of the human touch in the customer services. The capability of banking staff can be expected to directly affect the customer's satisfaction. However, e-banking technologies can help in better understanding customer's needs and customizing the services/ products according to their needs.

In the new era there is a need of bank customers to get improved electronic banking services and also better relations with the bankers. It is also the need of time to provide efficient services/products to the customers. In Pakistan however, such kind of electronic banking has started recently. Online banking system present to their consumers a set of information-related benefits that favors to adopt e-banking, including the facility for the customers to control their bank accounts at any time and any place, and to access information content for making investment and financing decisions (Howcroft B, 2002).

Due to the competition among the banks in Pakistan, the banks want to provide the services, which are more efficient, rapid and enhanced the banking system. Therefore, the objective of e-banking is to create such working environment where customers can easily find about the information they require for performing financial transactions.

1. 1. 1 Definition of E-Banking

Electronic banking, known as Electronic Funds Transfer (EFT), it is basically the use of electronic methods or means to transfer money electronically directly from one account to another account, rather than cash or cheque.

We can use electronic funds transfer for:

1. We can withdraw money by an ATM machine with a personal identification number (PIN), for our convenience at day or night. We can guide our bank or credit union to pay automatically monthly utility bills from our account, or our auto loan even our mortgage payment.

2. We can buy food, fuel for our personal transport, and other goods at the purchasing point, using a credit card rather than cash.

3. We can use a prepaid smart card embedded for our daily purchasing like pay

phone, toll expenses, daily college expense or any bookstores.

1. 2 BACKGROUND

The increasingly change in worldwide competitiveness in commercial behaviors has improved the volume of bank in the world. It has produced additional banking knowledge and also improved customer demand of services given by banks. This revolution has set a motion in the banking sector for the provision of a payment system that is compatible with the demands of the electronic market (Balachandher, 2001).

On the behalf of increased competition, many banks and organization did not only reduce their costs but they have also increased their products.

Technology has changed the preconditions for service delivery, dramatically in recent years (Fredriksson, 2003).

The banks are the financial institutions to provide consumers savings services, money transmission services and credit services (Sinkey, 1990). In other terms, banks are concerned with safe transaction and collection of management functions. In this regard the main object of the banks is to making profits and giving best services to their customers. Customers are eager to a bank's behavior because the customers are the most significant cause of a bank's deposit and revenue creation. These customers may either be a single person or group of a person or organization. According to (Chaudhury & Kuilboer, 2002) the potential of providing innovative services over the Web is limited only by one's imagination.

Online services, especially banking services, are becoming more attractive and alternative to visiting service outlets or phone call centers for increasing their customers. Therefore it become easy for the customers to prefer online services (Szymanski & Hise, 2000), feel more in control of the service process (Bateson, 2000) to avoid from human contact with time saving (Meuter M. L. 2000).

In Pakistan however, banking organizations have been focused on censure for not given to their customers with original and suitable banking services. Therefore, the outcome that some customers, find it suitable to keep their money or reserves at home than the banks. Studies will carry out by two

famous banks working in Pakistan, which have researched and applied computerized technology for the delivery of banking services.

Although, banking administration has delayed to execute computer technology in banking exercises. A number of studies have concluded that IT has positive effects on bank services delivery to customers, bank productivity, cashier's work, banking transaction and banking investment. So, these have positive effects on the growth of banking system (Balachandher, 2001).

In addition, delivery the high quality services is a way for the banking to improve their relationships with their customers. By the Delivering high quality services, banks can achieve customer satisfaction and through customer satisfaction banks can gain loyal customers (Grönroos, 2000). Because of the highly undifferentiated services and products, financial organizations specifically banks become main tool for competing in this marketplace (Kim J. K, Han, Choi & Kim S. H. 1998).

Much research has been done about the quality of services and customer requirements in the traditional banking environment, where personal interaction between the customers and the bank employees takes place (Oppewal & Vriens, 2000). Therefore, this is very important for the online banking services providers to become more capable about the customer's perceptions of the online banking services quality. On the other hand the customers also have more expectations and demand when they are using e-banking services either the services are satisfactory or not. Because it is

quite easier for customers to evaluate and compare the benefits of competing services (Santos, 2003).

1.3 PROBLEMS DISCUSSION

The study about e-banking adaptation has gained special attention during the last decade as for instance; banking journals have devoted special issues on the topic (Waite & Harrison, 2002). There were a lot of grievances over the delays in traditional banking services, withdrawals and delay in processing. Time is money but the customers have to wait for a long time of their turn in the bank for any banking facility. Some time even from a remote area a customer has to travel to the concerned branch for any kind of transaction. On the closing hours it becomes more harmful if anyone want make a business deal for payment. Having the computerized operations and automated teller machine; it has made it easy that the banks would activate their e-units to support the online banking services.

In Pakistan, manual-banking system was performing below standard services to the customers and it may be affected on the customer's support.

Transactions of the money from one manual bank to the other can take five to ten days. Some time, when the purpose of transferring the money has almost dead.

Sometimes businessmen have to cancel their business deals due to the unavailability of the cash transferring facility in time in traditional banking system where services are as slow as non-secure, non-satisfactory.

In order to satisfy customer's needs, many banks build their set up through web sites and Internet that provide the services and information to customers and the better service can help to get higher profitability.

With the studies of IT in substantial, that would put a positive effect on bank productivity, cashier's work, banking transaction, bank support, and delivery of bank service. These have positive effects on the growth of banking (Yasuharu, 2003). Now Pakistan Telecommunication Company Limited is providing broadband, which has enabled the customers to adopt the e-services instead of manual banking because these are much efficient and accurate.

In Pakistan there is low literacy rate of workingwoman that are in service. But now young educated generation especially woman are trying to get jobs and taking part in nation building and economy and they have to use the banking services. Therefore the e-banking services will help and satisfy them regarding their expectations for efficient, accurate services.

Recently, many local banks in Pakistan have used the online services as a new market channel to offer their customers a variety of services 24 hours a day. This e-banking, compared to traditional banking, heavily involves non-human interactions between customers and online bank information systems (Furst, Lang & Nolle, 2002). When the customer evaluate of the e-banking service they received from Banks, then their satisfaction depends on website features/user interface design (Doll & Torkzadeh, 1988) and that can be important to analyze the designed features of banking services delivered to the customers.

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1.4 STUDY PURPOSE

The purpose of this study is to establish the important that how the customers fond the concept and carry out e-banking services and to determine whether the utilization from the e-banking services, make more efficient, accurate and in time of banking services and also to make a variety and excellence between automated and a manual or ordinary Banking systems.

To comprehend electronic Banking system in the context of Pakistan by the way of an analysis on the factors that manipulates customer's favorable reception of electronic banking services. Particularly to consider the services and products associated with ordinary banking and e-banking with their fast, rapid, efficient, enhanced are more useful methods and to provide the customers to recognize the online banking services.

It is to identify the significant aspects that shape the customers' view about electronic service and features and the outcome of these services on customers' satisfaction in Pakistani banking sector. The current study offers and considers a model to explain how ease, rapid, efficient operation, security, enhanced reliability and reaction positively and meaningfully affect customers' awareness of e- services and how these manipulates the customers' satisfaction.

The leading issues pay attention in the study of e-banking customers to recognize the necessary dimensions of e-service provided by the banks. The study of the literature exposes the convenience, efficient operation, security and privacy, reliability with rapidness, and responsiveness with enhanced

methods of e-banking service factors. These dimensions share many general facets of those quality determinants originated within the context of traditional service industries by earlier research (Parasuraman & D. Grewal, 2000).

Alternatively, these dimensions have their distinct attributes inherent in automated service quality environment (Al-Hiwari & ward, 2006). The convenience dimension

refers to ease of use and accessibility of the service at all times.

The customers prefer flexibility to meet their financial needs at all times, which affect their perception of the e service quality (Gerrard &Cunningham, 2003). Lio & Cheung, 2002 found that accessibility positively determines perception of quality of service. (Lockettt & Litter, 1997) and (Moutinho & Goode, 1995) established that time utility is a major contributor of customers' perception of e service quality. A lot of studies mentioned that the location e-service delivery is a strong driver of customers' perception of e service quality (Aldlaigan & Buttle, 2002; Almosawi, 2001; Levesque & McDougall, 1996). The second dimension of e-service quality, efficient operation, relates to efficient and speedy operation of these services. Efficient in operations enhances the resources for the customers. Customer's accord priority to user-friendliness of ATM. (White & Nteli 2004) found that efficient and faster delivery has positive effect on customer's perception for quality. Dilijonas, D.; Kriksciunien, D.; Sakalauskas, V & Simutis, R. 2009 argues that minimum breakdown of machines constitutes the essential

aspect of e-service feature. (Al-Hawari & ward, 2006) talks about the efficient ATM functions positively affect the customer's perception of service quality.

The element of consistency and dependability describes accurate and assured service at all times. Online users want to obtain the right quantity and right feature of service at all times, as promised by the banks. The literature provides strong support that rapidness, efficient and enhanced are essential determinants of customers' perceived service quality and positively relates to customers' use of online services (Fassnacht & Koese, 2006; Polatoglu & Ekin, 2001).

The responsiveness aspect of e-service quality relates to the ability of the bank staff to provide the agreed services timely, accurately, dependably, and promptly. Customers prefer to resolve their complaints expeditiously (Karjaluoto, Mattila & Pento, 2002). Prior studies indicate that responsiveness is crucial to sustain service quality and facilitates to build long-term relationship between service provider and the customers (Bauer, Falk & Hammer Schmidt, 2006; Long & McMillan, 2004).

The research results will reflect a positive and strong relationship between online service quality and customers satisfaction.

1. 5 BENEFITS OF E-BANKING

The e-banking services open seven days a week and 24 hours a day.

To decrease the cost-line and no need of physical bank branches

To create more deep collection for consumer's needs and expectations.

Terms of services to customers for their personal choices.

Easy access for all.

With the e-banking money can easily be get within no time from ATM machine.

In current time E-banking has open out rapidly all over the world. Almost all Banks are making much use of E-banking amenities to offer good services. The extension of E-banking has also significantly advantaged the normal customer in all purposes.

1. 5. 1 Benefits from the customer's point of view

Common customers have been much affected in an optimistic manner by E-banking. A lot of ordinary tasks have been fully computerized resulting in much ease and reliable.

The main benefit from the customer's point of view is major time saving by the

computerized of banking services as well as online processing and an easy maintenance tools for managing customer's money. Some other key benefits of e-banking for customers are as follows (BankAway, 2001; GurÄfu, 2002).

Decreased costs in operating and using the banking e-services.

Increased relief and timesaving operation can be made 24 hours a day, without consulting with the bank.

Rapid and enhanced access to information. Organizations or customers will have much easy access to get information as, they can check on several accounts on click of a button.

Improved cash management. E-banking services speed up cash cycle and enhance the efficiency of business operations, as large types of cash management methods are available by e banking.

Decrease costs in terms using the different e-banking products and services

Rapidness the reply of services is very fast therefore the customers can actually wait till the last minute before final fund transfer transaction.

Customers can take their history of different funds management

Consumer's account is particularly accessible with in online account.

Consumers can withdraw money at any time through ATMs that are now generally available all over the country.

With withdrawing money, customers can also take mini banks statements, account balance on ATMs.

Through online banking consumers can control their account while sitting in his office or in home.

No need to go in the bank personally for such matters.

E-banking has also provided the facility in payment of utility bills. There is no need to stand in long queues for these matters.

All these services are generally available at bank website.

The development of credit card and its usage also owes significantly to E-banking. Now a customer can purchase anything worldwide without moving paper money with him.

Banking services are available 24 hours a day; seven days a week or they are only a mouse click away.

1. 5. 2 Benefits from the bank point of view

Banking industry has also various benefits due to the development of E-Banking procedure. Some are mentioned as below.

The core benefits for the banking point of view is that e-banking services are better response to the market. The main purpose of every financial organization is to boost up the profits for its vendors. Online banking services offer ideal chances for increasing the profits.

Some clarifications for this pricing plan can be proposed

Banks receive extra profits on transactions completed via electronic channels. The abundance of payments is not a main concern for banks. Cross subsidization in special services groups is used, for instance, profits from loan activity balance poor abundance from payment services.

The development of E-banking has much helped the banks in minimizing their overheads charges and service cost.

Many services and dull tasks have now been fully computerized and in better

Efficiency and good time usage.

The growth of E-banking has made banks more economical. It has also led to growth of banking industry, commencing of new opportunities for banking processes.

E-banking has reduced the paper work in banking industry, thus give them to work with paper less environment.

E-banking has also provided facility to bank in proper records and documentation of the transactions.

The e-banking capabilities of computer networks, like as the Internet, are much better than any branch network.

1. 6 ADVANTAGES AND DISADVANTAGES OF E-BANKING

With the fame of the Internet growing progressively, many industries are discovering new and attractive method to make it appealing medium to keep up with the continually altering preferences of clients. Nowadays, we can do almost everything over the Internet like shopping for home goods, business deals, contact with friends and so on. The Internet has apparently nonstop possibilities for the banking industry.

Most of us have known about online banking services, and more than a majority has perhaps not even tried it yet. Some of us are feeling more relax and easy to work with real people, paper work and money instead of its virtual complement. At last there are a many advantages and disadvantages of online banking services. In this study there will be outline of good side as <https://assignbuster.com/overview-of-electronic-funds-transfer-marketing-essay/>

well as the bad side of online banking services. That you can feel online banking is safer way to manage your transactions and you can be overcome your fears.

1. 6. 1 Advantages

Online banking is very suitable and convenient. It allows people to pay their bills and make transactions anytime during any time of the day and in the week. E-banking system never closes any time because people can access it through internet. There will be no matter in which country you are or anywhere in the world. Customers can make online transaction and handle your finances with conveniently.

Secondly, e-banking services are very rapid, effective, enhanced and efficient. E-banking system also gives the option of transaction making in the different bank accounts from a website.

Mostly e-banking websites are compatible with programs like Microsoft infrastructure, which makes organization's assets more valuable.

1. 6. 2 Disadvantages

There are also some disadvantages in e-banking services. The main problem is that most people do not trust the transaction performed on online and almost wonder whether they did the right thing? Of course, people more relax and feel easy to find printing the

transaction receipts of their transactions. The receipt will confirm them whether or not their transaction has gone successfully.

For beginner e-banking can be difficult to learn and some time website could take time to start up. Some websites ask for identification, which can be very inconvenient for the new comers in e-banking.

People like talking in person-to-person in case of any difficulty or problem. They like the ' personal touch' like customer service and these kinds of people do not feel comfortable with e-banking.

1. 7 ELECTRONIC BANKING IN PAKISTAN

Electronic banking is the most recent in the line of technological aspects of the recent past in Pakistan. ATMs, mobile Banking, Credit Cards and Debit Cards, Internet Banking, Cyber Cash have come forward as useful delivery channels for usual banking services and products. In Pakistan, MCB & RBS took as a pioneer to introduce ATMs and credit cards in the mid 1990s. The Annual Report of SBP (2003: p. 110) mentioned this delayed access of electronic banking by regulatory hurdles; much costs for startup, reforms on-going banking sector and lack of technological knowledge. The e-banking promoted with the circulation of the Electronic Transaction Ordinance 2002 by the Government of Pakistan. This attraction facilitates legal respect of digital signatures the risks associated, reducing documentation with the exercise of electronic technology in business.

In current situation, almost all Pakistani commercial banks have their own setup and networks, they issuing debit and credit cards and have joined collectively in operating ATM Switch Networks with each others.

As according to (Kolachi, 2006) Pakistani banks offers the following online banking services and products to their customers.

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Inquiry: Account balance inquiry, Account statement inquiry, fixed deposit inquiry, Check statement inquiry

Payment: Credit and Debit cards payments, Transfer of funds, Utility bills payments and direct payments.

Request: Demand draft requests, Stop payment requests, Cheque/Check book

requests, New fixed deposit requests

Download: Statement download, download Customer profile, other information

and guidelines.

The Annual Report (2009, p. 111) of SBP explains that domestic banks are the foremost provider of ATM facilities while foreign banks, like ABN AMRO Bank, Standard Chartered, and Citibank control the credit card business in Pakistan and over 95% of the total amount of transactions.

1. 8 RESEARCH QUESTION

The research question is in the sense that, the endurance of any e-banking system based on the large extent that depends on the banks ability to maintain and attract customers by offering modern and technologically enhanced banking services and products. Investigate between customer perception of e-services and the services environment in Pakistan. In order

to understand and to be accomplishing the purpose, the research question of the study defined as follows:

To what extent E-banking System is more efficient, rapid and offers enhanced opportunities compared with ordinary banking system in Pakistan?