

## **Chapter 5**

### **Conclusion**

Advances in information technology and telecommunication have continuously introduced new delivery channels for Malaysian financial products and services to fulfil the customers' needs. The latest delivery channel is Internet banking which had successfully rolled out on 1 June 2000 by Maybank. It is the study to find out to what extent the Malaysian consumers are aware and use this new delivery channel. Besides that, this study would investigate the consumer knowledge and perception on Internet banking. The following section would discuss the major findings of this study. Then, the implication and issues on Internet banking would be discussed. Lastly, topic related to Internet banking for further research would be suggested.

#### **5.1 Discussion on the Results**

Firstly, the research found out that not many consumers especially in Ipoh know the existence of Internet banking in Malaysia. One of the main reasons is the financial institutions did not frequent advertise and promote the delivery channels.

Secondly, the result showed that impersonal source from friends especially in Ipoh was one of the important sources to create awareness on Internet banking. This is because the working people always in touch with their colleagues or business partners discussing the current affairs.

Lastly, the results found out that the consumers' knowledge on Internet banking is low for both locations. Hence, they have negative perception on security of Internet banking. Another main reasons is they were frightened by the fraud case happened through Internet banking in Malaysia or others countries. For example, the fraud case happened to Maybank whereby some one posed as "Joe Chan- online exe" sent out e-mails to the public promoting "Maybank free online banking service" and requesting users to access "<http://maybank2U.rvx.net>"

to download latest Maybank2U online tools. However, it was fast detected by Maybank and not much loss have occurred.

With recent remarkable technology advances, many of the security issues have been addressed. According to bank expert NS Hale, Marketing Director at BancFirst of Oklahoma; he said today's sophisticated encryption techniques make it virtually impossible for hackers to break into account information. He claimed that passwords will ensure adequate protection and account holders should take precautions to keep the password safe. Many experts also now say that a well-designed online banking system is less vulnerable to fraud and attack than a physical bank location or an ATM (Ghosh, 1998)

## **5.2 Implications for bankers**

The findings of this study may help the banks in Malaysia to gain a better insight on how the consumers react towards Internet banking. With that, bankers can interpret the attitudes of consumers towards Internet banking, and it may provide guidelines for a more effective implementation of Internet banking throughout the country.

Besides using the results of this study as a foundation for the formation of their marketing strategies, commercial banks can also capitalize on the insights gained from this survey to examine the extent to which their marketing policies can be tailored towards the needs of Internet banking customers and also to the requirements with a view to creating a competitive advantage. For example, by knowing the demographic profiles of Internet banking users, the bankers can actually target at the potential market segment to promote further on Internet banking. From the research, it is known that the potential Internet banking is those has better education and high job level.

Also by using the data, bankers might also intend to create different marketing strategies and different promotions efforts for reaching non Internet banking users. For example, this research unveil that one of the main reasons for not adopting the service is difficult or do not know how to use it. Hence, the marketer might intend to give a demonstration or brochure on how to use the Internet banking to eliminate this negative attitude.

Meanwhile, the results on knowledge and perception on Internet banking could also be utilised in formulating marketing strategies and would in turn attracting new customers. Since the consumers' knowledge on Internet banking is quite low, the markers could create some marketing strategies to enhance the consumers' knowledge so that the consumers could fully utilised the services offered. The bankers should also educate their customer about the types of security put in place on the Internet to protect their financial information and what to look for to ensure that their transactions are secure. In short, the banker might use the presented data and create various marketing mix to fix the Internet market problems.

Broader range of products and services offered through Internet banking can also be developed to cater for the needs of customers, and more attractive benefit and convenient to the customers are also important and essential in maintaining customer loyalty. Besides that, the banks have to always ensure all the transactions through Internet banking is secure so that the consumers is feel confident and secure using it. Additionally, banks must be sensitive to issues of privacy and provide customers with written that their personal information will not be exploited.

As far as local banks are concerned, they could also capitalize on the opportunities of offering a broader range of products and services through Internet banking to be competitive enough when the locally incorporated foreign bank enter to the marketplace in 1<sup>st</sup> January 2002.

### **5.3 Issues on Internet banking**

Undeniably, the Internet banking provides a lots of opportunities for the financial institutions to generate additional revenue from customers e.g. by offering new types of products and services, increased ability to cross-sell and target profitable market and etc. It is a worth for investment. However, Internet banking is new delivery channel, it raises a few issues (PricewaterhouseCooper, 2000):

#### **a. Regulatory issues**

Owing to the nature of its trade, the portal does not seem to have fallen into the ambit of the regulatory bodies in Malaysia yet. There does not appear to be a necessity for a license to construct and roll out portal. Incidentally, the Financial Services Authority (FSA) is regulating such 'financial institutions' in the United Kingdom. The FSA is an independent body that regulates three authorised sectors- insurance, investment business and banking in the converging financial services industry in the United Kingdom (PricewaterhouseCooper, 2000).

#### **b. Information site issues:**

The portals do not necessarily only provide links to the banks they represent. They also provide information on the products and services which sits on the servers of the portals rather than the banking institutions themselves. When there is a time lag in communication between the banking institutions and the portal, information on the portal site will differ from that on the informational site.

#### **c. Consumer data security and privacy**

With a communicative site, the portals tend to prefer to take a dim view of the safety of the consumer information being communicated to them to minimize cost. Data are often transferred using less secured encryption and security technology. Moreover, there is a high risk of the portal selling customer databases that are often confidential. Surprisingly, a more common practice that is observed is the sharing of customer information for cross products and services on the same site.

**d. Legal matters**

Contractual obligations between customers and the institutions are often very ambiguous, or more importantly, not fully comprehended by the consumers. For example, there is yet a mutual agreement on who foots the bill when 'Internet raiders' empty the customers' bank accounts.

**e. Operational risk**

This is fundamentally the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, systems and external events. Having a revamped infrastructure and process to facilitate the provision of Internet banking naturally means presenting a new face to the operational risk. The new processes introduced may have a negative impact on the current processes, such as higher turnaround time, error rates or duplication- if the process is not integrated optimally.

There have been numerous cases in which gaps in processes were inefficiently managed, thus allowing frauds to get away undetected. Losses due to operational risk can be devastating. Take the collapse of Barings Bank, which was due to the exposure to solely operational risk.

The government and the financial institutions should work hand in hand to solve the issues so that Internet banking could operate smoothly.

**5.4 Recommendations for Future Research**

Further research in this area would provide an additional and better insight into the awareness of Internet banking among all Malaysian consumers. The research data can also be improved and analyzed further if additional data analysis techniques are applied. Of course, the extent to which these data is applicable depends on the nature of data collected and the purpose of the study.

Similarly, some of the deficiencies inherent in this study could be avoided if a larger sample size is generated by more experienced research assistants over a longer period of time and a wider geographical scope.

Definitely, the small sample collected in this research could not be used to generalize the findings. Therefore, a study which is conducted in a larger scale and thus, using a larger sample, would increase the external validity of the findings.

This findings could also serves as a basis for further research in the area of Internet banking in Malaysia. Below are some of the suggestion:

1. Internet banking and Home banking : A comparative study.
2. The security of Internet banking.
3. The consumer's attitude on Internet banking.