

**Electronic Banking in Malaysia:  
A Note on Evolution of Services and Consumer  
Reactions**

By

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## ABSTRACT

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TITLE: ELECTRONIC BANKING IN MALAYSIA: A NOTE ON EVOLUTION OF SERVICES AND CONSUMER REACTIONS

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**D**evelopments in information technology and telecommunications have set in motion an electronic revolution in the Malaysian banking sector. This in turn has resulted in new delivery channels for banking products and services such as the automated teller machines (ATM's), telebanking, PC-banking, and the latest technology, Internet Banking. In this context, the purpose of this study is to examine the evolution of Electronic Banking in Malaysia, analyze the various electronic delivery channels utilized by local banks and to assess the consumers' reactions to these delivery channels.

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## **CHAPTER 1**

# **Electronic Banking in Malaysia: A Note on Evolution of Services And Consumer Reactions**

### **Introduction**

Technological developments particularly in the area of Telecommunications and Information Technology are revolutionizing the way business is done. Electronic commerce is now thought to hold the promise of a new commercial revolution by offering an inexpensive and direct way to exchange information and to sell or buy products and services. This revolution in the market place has set in motion a revolution in the banking sector for the provision of a payment system that is compatible with the demands of the electronic marketplace.

In line with global trends, banking business in Malaysia too has been undergoing tremendous changes since achieving independence in 1957. The first step in the evolutionary process was the gradual deregulation of the financial sector, which commenced in the 1970's. Then, in the 1980's the introduction of Automated Teller Machines (ATM's) can be considered as the first and most visible piece of evidence of the emerging Electronic Banking in Malaysia. This was then followed by the introduction of telebanking and later on PC-banking in the 1990's. The next imminent step in this evolutionary process inevitably appears to be Internet-banking. However, there are several issues including the lack of adequate legal framework and security of electronic transactions, which tend to hamper the continued progress of this evolutionary process.