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TECHNOLOGY APPLICATION IN THE BANKING INDUSTRY: MATCHING THE CUSTOMERS' EXPECTATIONS IN THE NEXT MILLENNIUM

By:

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INTRODUCTION

Technology changes from time to time as a result of humans' creativity, innovativeness and knowledge. This in turn will influence the environment mainly us, the users. Technology itself is an enabler or a tool to assist us in one way or the other in our daily life. When a tool has been developed it is susceptible to the users and therefore it is up to the users to benefit from it. In this trend of the digital age, technology developed or introduced has to be benefited by the users or they will be left behind and lose the edge in this competitive environment. Not only technology development affects the businesses and the economy, but also the global citizens as a whole.

TECHNOLOGY IN SHAPING THE ENVIRONMENT

In a broader sense, technology enables the environment to be more productive, efficient, conducive and supportive to individual parties, business entities, and economy as a whole. Therefore, shaping of the environment as a result of new technology development has to be immediately responded by individuals, corporate leaders or business entities. However, immediate response does not necessarily mean applying technology for its own sake, but to maximize its benefits that suits the particular environment that individual or business entities are in. Such a move will ultimately force the business leaders to streamline, modernize and reorganize or reengineer the business processes accordingly so as to achieve the overall objectives of the organization.

BANK STOCK RETURNS, VOLATILITY AND TRADING VOLUME: MALAYSIAN EVIDENCE

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Abstract

This paper examines the dynamic relationship between price variability and trading volume using daily stock returns of five banks traded on the KLSE and the financial index for four years. Using GARCH specification, our empirical evidence suggests a positive contemporaneous volatility-volume relationship. When we partitioned the sample period into two subperiods, i.e. before economic crises and during economic crises, the results show that the price variability is greater during economic crises. The results also exhibit that banks with low daily trading volume behave quite differently from the higher one. Upon introducing volume in the conditional variance equation, the GARCH effect remains, either before or during economic crises. This finding suggests the possibility that other variables beside volume that explained current volatility for banks with low volume traded.

1. INTRODUCTION

It is well documented by now that information available to a market is the main determinant of the changes in prices. Thus, the way in which information arrives at the market, and the manner in which it influences the process of price adjustment is an important issue in finance. To account for this development, several authors have developed two competing hypotheses. Among them are Copeland (1976) who introduced the 'sequential arrival information model' (SAIM) and latter extended by Jennings, Starks and Fellingham (1981) and Jennings and Barry (1983) and Smirlock and Stark (1985). The main issue in this hypothesis is the time path of price adjustment when information is disseminated gradually. While the competing hypothesis of 'mixture of distributions hypothesis' (MDH) developed by Clark (1973) argues that relationship between trading volume and volatility is function of the directing (or mixing) variable, defined as the rate of information arrival. In this context, daily price variance is considered to be random variable representing the sum of individual price changes within the day, and trading volume is positively related to the number of within-day price change. As a results, trading volume can be considered as contemporaneous in respond to the change in prices

This paper examines the dynamic relationship between price variability and trading volume with the aims of addressing three main areas of interest. By utilizing a data set of five Malaysian based banks traded on the Kuala Lumpur Stock Exchange (KLSE) and a financial index from May 1995 to July 1999, firstly, we investigate the general relationship between price volatility and trading volume. This can be achieved by testing whether contemporaneous trading volume can explains current price volatility. If it does, then it implies that the market is efficient. Secondly, the research is intended to examine whether the results of the full period hold when we partitioned the sample into subperiod

SELF SERVICE TECHNOLOGY IN BANKING: EXPERIENCE FROM ATM

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Introduction

The intensity of competition has increased within the retail banking industries in virtually all area. Creating a sustainable competitive advantage therefore, has become of paramount importance. One way for retail banks to create this sustainable competitive advantage is through the utilization of self service technology either through electronic banking or other means of remote banking such as home banking, PC banking and telebanking. In line with the country's mission in implementing the Multimedia Super Corridor (MSC), the race towards electronic banking and other technology-related delivery banking services has intensified. Many financial institutions have clearly embarked on the technology driven strategies, which they hope will meet customer preferences and consequently produce higher return and market penetration. Nevertheless, there is little evidence or study to support this argument. Currently, there is insufficient data on the current and potential use of these self-service banking facilities by the financial consumer. However, the Automated Teller Machine (ATM) has been in service particularly in Malaysia for quite sometime. ATM once considered a breakthrough, are now a familiar sight on the high street. The current technology is significantly a step forward from the relatively simplicity of ATM where the combination of multimedia environment which consists of video images, graphics, recorded and digital sound which included facilities such as colored touch screen, optional keyboard and high quality printer. We believe, by identifying the usage patterns of ATM services with relation to the consumer demographics, a prediction can be made on the future of other self-service banking facilities through an analogy of the findings. Therefore, it is the purpose of this paper to shed some light in determining whether the current financial consumers in Malaysia will adopt the self service facilities offered by these financial institutions.

Objectives

Thus, the objectives of this paper are:
1. To describe customers' usage patterns of ATM services
2. To recognize the main factors which motivate or demotivate people to use ATM
3. To identify if there are any relationship between customers demographic characteristics and the services they use
4. To suggest marketing strategy based on the findings of this study

Literature Review

The application of electronic technology to all aspects of banking operations has certainly shape the banking systems of today. The technological and telecommunications ability of a bank has become a very important competitive weapon in banking (Revell, 1987). New technologies are allowing companies to revolutionize the way of doing business with their customers. Efficiency, speed, accuracy and flexibility have been the hallmarks of new technology in the world of finance and banking. The evolution of technologies used has enabled self-service technologies in banking to include products and services such as interactive info-kiosk, online sourcing and trading, internet or desktop, home banking, homeshopping, EFTPOS, financial smartcard such as E-Purse/E-Wallet/E-Cash, and telebanking/call center. Undoubtedly, the new millenium will be noted

Environmental Drivers and Shareholder Value. Factoring in Environmental Performance in Business Decisions for Profitability.

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Abstract
"It is essential that discussions on environment and development should get on board as many representative sectors of society as possible, in order for people with a direct stake in environmental challenges to have a direct say on how best to face them." Fernando Henrique Cardoso, President of Brazil. With a view to this call, this paper attempts to enumerate the relationship between the environment and financial performance. It tries to inform that the business community and especially the financial community can make improvements to its decision-making quality by taking into account environmental performance criterion in its analyses. The investigations done by the World Business Council for Sustainable Development and its recommendations together with the performance appraisal of some international companies are used as a background. It looks at and elaborates environmental drivers, the shareholder value pyramid, evaluation of environmental performance and how these can be used by investors, analysts and managers to translate environmental drivers into financial information. This paper also tries to realign the environment from an evidently down-side risk factor to a positively up-side business advantage. Its conclusion is that environmental drivers, though not a panacea, can make a real difference to shareholder value when associated with a solid business strategy.

This paper is based on the World Business Council for Sustainable Development's publication "Environmental Performance and Shareholder Value". Extensive use of material from this publication is thankfully acknowledged.

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Finance, Business and the Environment

Interaction between the financial world and the environment is a crucial area where comprehensive global knowledge and action are currently limited. A start has been made by several agencies to look deeper into this phenomenon. In line with the spirit of sustainability enshrined in the Agenda 21 principles the International Chamber of Commerce and the World Business Council on Sustainable Development have initiated some actions. Studies conducted within the framework of the Commission on