

INTERNET BANKING

by

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ABSTRACT

The objectives of the study is to built awareness to the society of Internet Banking and Electronic banking, the advantages, impact and factors that affect the adoption of the new technology in our industry. i.e Internet Banking.

The data for this study was collected using articles, journals, text book, research and also interviews of Financial Institution's staff and customers on the Internet Banking..

From the research, it can be concluded that Electronic impulses will be the dominant transfer messengers of the future. They will eliminate from a vast array of electronic hardware known only by strange acronyms and covered by the super acronyms Electronic Fund Transfer transaction. The changing technology in electronic banking will add another dimension to the dynamic and complex world of the financial services industry. The interaction of new technology and the processes of financial innovation and product diffusion will shape the financial service industry of the future, one in which financial services firms also will be known for their processing of information flows and communications. The current trend in the electronic revolution that has set in motion the Malaysian banking sector inevitably appears to be Internet Banking. The advent of Internet Banking offers banking firms a new frontier of opportunities and challenges. Despite these possibilities, there are various psychological and behavioral issues such as trust, security of Internet transactions, reluctance to change and preference for human interface that appear to impede the growth of Internet banking. Consequently, the action taken by financial institutions and policy makers in appropriately addressing these critical issues will determine the success of Internet Banking.

Financial Institutions must play certain role in order to ensure the success of the Internet Banking such as greater promotional efforts to create greater awareness of Internet Banking and its benefits to the Malaysian society since Internet banking services is encouraging and is indicative of a bright future for Internet Banking in Malaysia.

TABLE OF CONTENT

	Title Page	Page
	Acknowledgment	i
	Abstract	ii
	Table of Contents	iii
	Table of Contents	iii
	List of Tables	iv
	List of Figures	v
	List of Abbreviation	vi
	 CHAPTER 1	
1.0	INTRODUCTION.....	1
1.1	Overview of Electronic Banking(E- Banking).....	1
1.2	Types of E- Banking or Electronic Fund Transfer (EFT).....	2
	a. Automated Teller Machine (ATM).....	2
	b. Bank Credit Card.....	3
	c. Debit Card.....	3
	d. Point of Sale(POS).....	4
	e. Cheque Truncation.....	4
	f. Automated Clearing House(ACH).....	5
	g. Home Banking.....	5
1.3	Infrastructure of E-Banking.....	6
1.4	Application Model.....	10
1.5	Component of the Base Application.....	10
	 CHAPTER 2	
2.0	INTERNET BANKING.....	11
2.1	Overview of Internet Banking.....	11
2.2	Types of Internet Banking Site.....	12
	a. Informational site.....	12
	b. Communicative site.....	12
	c. Transactional site.....	12
2.3	Internet Banking Risk.....	13
	a. Strategic risk.....	13
	b. Transaction risk.....	14
	c. Compliance risk.....	14
	d. Reputation risk.....	14
	e. Traditional banking risk.....	15
2.4	Strength, Weaknesses, Opportunities and Threats (SWOT).....	16
	a. Strength.....	16
	b. Weaknesses.....	17

CHAPTER 1

1.0 INTRODUCTION

1.1 *Overview of Electronic Banking*

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 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 1957.¹

What is Electronic Banking?

Electronic Banking means 24-hour access to cash through an Automated Teller Machine (ATM) or paychecks deposited directly into checking or saving accounts. Electronic Banking also known as Electronic Fund Transfer (EFT), uses computer and electronic technology as a substitute for checks and other paper transactions. EFTs are initiated through devices such as cards or codes that are used to gain access to the account. Many Financial Institutions use an ATM card and a personal identification number (PIN) for this purpose. The Federal Electronic Fund Transfer Act (EFT Act) covers some consumer transaction.

Some Financial Institutions and merchants issue cards that contain cash value stored electronically on the card itself. These "stored-value" cards, as

¹ Patric, Er."IT and banking : An economic perspective."Banker's Journal Malaysia.December 1999 :48