

## **E-BANKING IN IRAN AND ITS ADVANTAGES**

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### **Abstract**

E-banking<sup>1</sup> includes providing opportunities for employees to increase their speed and efficiency in banking services at branch locations and as well as the processes among bank and branch around the world and providing hardware facilities and software to customers that by using them without a physical presence in the bank, at any time, day or night via their preferred communication channels safely and confidently carry out banking operations. In other words, electronic banking is to use of advanced technology of software and hardware based on network and telecommunications for resource sharing and financial information electronically and does not require the physical presence of the customer in the branch. Reduce the cost of transaction processing, providing customer service of target market and as well as create revenue are long-term benefits of electronic banking.

Keywords: E-Banking, Advantages, Service, Customer

### **1. Introduction**

Financial sector (banks) are faced the changes that have not experienced before in its history. These changes have had a significant impact on the industry structure and the nature of competition. Not surprisingly, in this turbulent environment with accelerating change, financial institutions have been forced to change the way of their reaction to the market, so that can focus less on products and more on customers and rather short-term view, take the long view. Attention increasingly banks in developed countries and developing by providing banking services through electronic means with the aim of simplify services process to people and reduce the costs of banking has create Intense competition in the electronic banking industry (Ghasemi & et al,2012).

Work speed, to share information and conducting business transactions with communications networks, nowadays has become undoubtedly a success in the market. The main feature of all these activities is to simplify the process, to reduce costs through increasing coordination, to improve customer access and to increase the variety of services offered to customers. Meanwhile having efficient banking system is a basic requirement for development of electronic commerce in the country and entry into global markets and membership in organizations such as the World Trade Organization (Amadeh & Jafarpour, 2009).

Banking industry by taking advantage of information and communication technology are suffered many changes of speed, accuracy, ease of use and security in commercial and financial transactions that is cause to access a various serving tools for customers banks that

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<sup>1</sup> Electronic banking

can note to such as electronic payments and Internet banking through fixed and mobile phones, point of sale, automated teller machines (Habibzadeh & et al, 2011).

According to the trend of using e-banking services due to its unique features and presence of bank to transfer financial resources, electronic banking is as an integral part of electronic commerce and key role in its implementation and on the other hand studies done suggest that customer satisfaction affects customer retention and thus the profitability and success of organizations in competition (Mohammad Pourzarandi & Najafi, 2011).

## **2. Definition of Electronic Banking**

Electronic banking is a special type of banking that uses to provide services to customers in an electronic environmental (internet, mobile, etc) (Jandaghi & Nezamzadeh, 2011). Various definitions of e-banking have been proposed that can be noted the following:

- Providing customers access to banking services through the use of secure mediators and without physical presence.
- Customers use from Internet to organize, to test and implement changes in their bank accounts or invest in banks to offer banking services and operations.
- To provide direct services and banking operations of new and traditional to customer through interaction electronic communication channels.

Salehi and Zhila, (2008), describes e-banking as an electronic connection between bank and customer in order to prepare, manage and control financial transactions. Electronic banking can also be defined as a variety of following platforms: (i) Internet banking (or online banking), (ii) telephone banking, (iii) TV-based banking, (iv) mobile phone banking, and e-banking (or offline banking) (Gilaninia & et al,2011).

Electronic banking offers electronically banking services and through a secure Mediators and has resolved need to the physical presence of the customer in the bank and provide services such as account information and it inquire, bank draft or transfer funds among accounts, deposits, foreign exchange and payment of water and electricity bills, etc as listed and timed to the customer (Amade & et al, 2009).

E-banking in terms of features and market requirements can be provided in subdirectories and different types that include: internet banking, mobile banking and technologies related to it, telephone banking, based on a fax, banking based ATM, banking based on point of sale and banking based electronic branches (Habibzadeh & et al,2011).

## **3. Process of Electronic Banking**

Electronic banking system has 3 stages:

- 1 - Stage before development
- 2 - Stage of development
- 3 - Stage after development

Stage before development goes back to a period when arose bank online service site. The second stage comes from actual development or implementation of online banking which included many technical issues of management and the final stage, the stage after development refers to period of production process in online banking system. In this stage, the bank management needs to understand transport and the importance of other issues to ensure the future success of the project (Banikhedmat, 2011).

## **4. Electronic Banking History in the World**

Since 1959, by converting the services of banks from a traditional service system to the new system was formed a new kind of credit cards services that was welcomed by the public, so

as the first banking system of credit card in 1959 by Bank of America was introduced in California. Then traditional clearing house, documents interbank changed with automated clearing house. Concurrent with the growth to use automated teller machine (ATM) in the 1990s, role of electronic banking became more obvious and prominent in the world and it seems that this trend is evolving. Electronic banking showed themselves when the internet was introduced to the world, ie about 10 years ago, but before that, there were software systems and electronic that customer able to receive service without going to bank.

America was the first country to be equipped with an electronic banking. Since then, European countries such as Britain and Denmark had made significant progress in this field. After these countries, Japan and Malaysia in Southeast Asia had rapid growth in electronic banking (Maleki & Akbari, 2010).

## **5. Electronic Banking in Iran**

Background of electronic banking activities in Iran was return to 1971. At the time, Tehran banks acquired between 7 to 10 ATM in its branches experienced the first automatic money paid. In late 1981 the country's banks due to the use of personal computers and the need to bank automation after different studying in proposed framework for a comprehensive transformation in planning informatics activities of banks was provided to officials of banking network that in 1993 comprehensive plan of the banking system automation adopted by the general assembly of banks became to official form. In the same year, the Central Bank, Corporate of Information Services established as executive organization of comprehensive informatics project in banking system. During 1993 and 1994 years created spark a national switch to electronic banking, the communication network established between Melli bank and national stores. In June 2002 adopted set of regulations governing in center of interbank information exchange network customary to "accelerating network". Thus the acceleration office of the central bank was established in July 2002 and started to work with the aim of providing electronic banking infrastructure. Acceleration with linking to ATM of 3 banks was officially created (Keshavarzi, Toseh Saderat and Saderat of Iran were in the initial pilot of this plan and private banks of Saman & Kar Afarin also asked to present in early trials of acceleration). Iranian banks are implementing and operating e-banking projects directly. Melli bank with Siba plan, Tejarat bank with SGB plan, Saderat bank with Sepehr plan, Refah bank with Jari Hamrah plan, Keshavarzi bank with Mehr plan, Mellat bank with jam plan and private banks with 24-hour plan and separately and single experience electronic banking in the areas under its control (Banikhedmat,2011).

## **6. Advantages of Electronic Banking**

Today, electronic banking has provided facilities to the speed and efficiency of banks that staff can provide banking services, processes of among branches and banks in the world and services of hardware and software to customers without a physical presence to them (Alvani & et al,2008).

Advantages of e-banking can consider in term of two aspects customers and financial institutions. From the perspective of customers, it can note to save money, save time and access to multiple channels for banking operations. From the perspective of financial institutions could be named features such as creating and the increasing banks reputation in delivering innovation to keep customers, despite a spatial variations of banks, creating opportunities for search new customers in target markets, geographical range expansion of

activities and the establishment of conditions of perfect competition. According to research the Institute of data monitor, main advantages of e-banking include: focus on new distribution channels, providing improved customer service and the use of e-commerce strategies. Course advantages of e-banking from the perspective of short term, medium term and long term is also investigated. Same competition, maintain and attract customers are including electronic banking advantages in the short term (less than one year). In the medium term (less than 18 months) advantages of e-banking include: Integrating different channels, information management, extension range of customers, guiding customers to the right channels with the desired characteristics and reduce costs. Reduce the cost of transaction processing, providing service to customers of target market and as well as creating revenue are long-term advantages of electronic banking (Kananian, 2013).

Electronic banking is seeking to provide more convenient access to banking services for customers. Electronic banking is beneficial for both the customer and the bank. Because customer can use from banking services in anywhere worldwide, on the other banks can also provide their services cheaper. These advantages has removed need to open physical branches and create virtual banks that work electronically. Customer through electronic banking 24 hours a day, 365 days a year can control his/her account and does not need to go to the bank and waiting in long lines physically, because bank is always open. In other words, through electronic banking, customers can do easily banking operations after of normal business hours and without the need for physical presence in branches. However, Internet banking allows banks that work in new geographic areas, new markets and new products territory (Yiu & et al, 2007).

## **7. Discussion and Conclusion**

The establishment of the national banking system efficiency is necessary for the establishment of e-commerce in the country while communicating with the international system be able to provide innovative banking services. In the field of electronic banking carried out wide range activities so far, but lack of some infrastructure in various aspects has led to slow these activities. The most important advantage of electronic banking compared to traditional banking are: low costs of activities and operations, access to global markets and greater convenience for customers. Electronic banking not only increase capacity of bank services but also reduces the cost of banking operations. The major advantage of electronic banking is to provide banking services without any limitation of time, place and frontiers that is useful for the bank and the customer. Also, due to the low cost of global advertising on the internet, small banks can expand their business scope.

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