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E-banking and economy *The F-Post*

Globally banking is no longer confined to the four walls of a branch. Many countries are far ahead of the facilities being available in Pakistan. The initiative in e-Banking in the country was taken a bit late, but now focused efforts are being made to catch up with rest of the world. In this regard, Muslim Commercial Bank (MCB) recently organized 'Pakistan e-Banking Conference'. It was co-sponsored by ABN-AMRO Bank, IBM, Teradata and local newspaper. Dr. Ishrat Husain, Governor State Bank of Pakistan was the chief guest.

The level of low banking, a few years back, was confined to the four walls of branch. With the entry of private banks, having limited number of branches, investment in technology was chosen, as alternative, to overcome this deficiency.

The advent and common use of Internet, leading to e-commerce, forced the banks globally to incorporate e-banking.

E. Commerce

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Pakistani banks are still far behind their global counterparts. One such example is complete lack of merchant accounts in Pakistan.

However, lately a task force was established to study and implement formation of Electronic Clearing House (ECH). Simultaneously, the local banks also went for on-line banking, though still not a norm.

Another step forward was installation of ATMs by the banks. While some banks have their own ATMs, some other banks started using a dedicated network. In this system an ATM card holder of a particular bank could use teller machines installed by all the sponsors of this network. The system is working to a satisfactory level.

Though efforts are being made to increase the number of on-line branches, it is still a capital intensive proposal. It is getting popular in urban areas, but has not become common in

rural areas, mainly due to low literacy level in the country. However, some analysts believe that with the passage of time, confidence in the system and increasing use, traffic to branches in urban areas will go down considerably.

A factor which is the key issue in e-banking is low penetration level of computers in Pakistan. The other factors, not allowing the people who have computers and Internet facility, were lack of services being offered by the banks, legal framework and concerns about the security.

A landmark step in this direction is the promulgation of the Electronic Transactions Ordinance 2002. This Ordinance provides legal recognition to digital signatures and documentation reducing the risks associated with the use of electronic medium of business.

One factor prohibiting use of the newly offered services is, its

high cost. The banking sector terms this nominal, keeping in view the level of convenience. Saying this, they still believe that cost can go down further with the increased use of these facilities. It is also believed that while the use of these facilities is low due to apprehensions about security, clients take refuge behind high cost.

A factor slowing down the process in this area is capital intensive nature of these operations. The investment in technology by the commercial banks is affecting the payout to shareholders as well as the depositors. The banking sector experts term this only a brief phase.

The global market for electronic transactions is growing at a phenomenal rate, expected to aggregate to trillions of dollars by the year 2004.

Pakistan should not sit back and ignore this global phenomenon. To actively participate in the global economy, Pakistan must develop its e-commerce infrastructure.