

A Survey of Internet banking websites in Pakistan

Abstract of Survey

This exploratory study is based upon the explorations of banks in Pakistan. The websites of these banks have been divided into 2 categories: **transactional** and **informational** based upon the type of service extended by these websites to their potential and actual customers and other stakeholders. Next, we have considered internet banking as a specific type of e-commerce activity that requires transactional website, we extended and e-commerce subcategory under the main category of transactional websites.

Our framework assesses the features of these websites and characterizes the functionality of these websites as per absence or presence of certain features. These features are grouped under 7 components:

1. Information
2. Legal statement
3. Order
4. Ease of use
5. Aesthetic effects
6. Performance
7. Others

While the results showed that only 8 banks in Pakistan extend their internet banking service with varying levels of functionality as measured with respect to above mentioned 7 components. Foreign banks did not demonstrate the appreciation also much higher website functionality as only two of the foreign banks were found to offer transactional internet banking services.

Background of the Survey

Internet banking is still in nascent stages in Pakistan, and there is little or very specific studies available on development and description of internet based banking in Pakistan. Moreover, performance of banks on this phenomenon is also not calculated on a broader scope.

Despite low internet penetration and e-readiness status (62nd out of 64 countries) at a country level, some sophisticated uses of internet and mobile cellular technology have already begun in urban population. In commercial banking, only few individual banks that are early adopters of technology have started to broaden their delivery systems by incorporating internet technologies and moving to e-banking paradigms. These early adopters expect to gain advantages of operational and strategic nature like, lowering of costs and time, gaining customer satisfaction through services, better and stronger B2B relational ties, B2C e-commerce activities, etc.

Lastly, we also wanted to analyze how the interface, i.e. the website designing and its features would affect its overall stake holder's (bank) interest. It has been reported that poor website design will result in the loss of 50 percent of potential repeat visits, due to an initial negative experience (according to Cunliffe). While, design of websites has become one of critical success factors of many e-commerce businesses.

Methodology for Evaluation of banks websites in Pakistan

We have already told that we have to divide all websites into 2 broad categories:

1. transactional
2. informational

While we consider that a website is transactional if it provides online balance enquiry services to its account holders.

While, there are a lot of studies for classifying transactional e-commerce websites and we have used a Harshey’s model but modified it also as we retained the total number and components evaluated in the tailored model but also incorporated further modifications to it by expanding the order component and collapsing the lit of elements in the components of legal statement, performance, aesthetic effects, and others category.

List of Components to be evaluated

SERIAL NO.	COMPONENTS/ TYPES OF SERVICE	DETAILS OF ELEMENTS	TOTAL NUMBER OF ELEMENTS
1	Information	Company information, services information, product information	03
2	Legal statement	Security policy, Legal disclaimer	02
3	Order	Statemen of accuount, Balance enquiry, funds transfer, bills payment, third party transfer, opening accounts, receiving alerts, requests and intimations, cash management online, E-shopping, credit card payment standing instructions, loan applications, customer correspondence, insurance, mobile banking, brokerage, investments, online remittances funds, tax advisory service, financial planning, linking A/Cs online, Mret news online, Trading online, Foreign exchange trading, Foregin exchange updates, Car loan applications, accounts and Managers password change facility, Banking procedures guide, Account/locker/loan/ATM card application	30

		submission	
4	Ease of use	FAQs, Tutorial/demonstration, search function, help function, Navigational buttons/menus	05
5	Aesthetic effects	Graphics, animations	02
6	Performance	Website response time	01
7	Others	Branch locator facility, Account blocking facility, Bank policies on loans and other areas, Rewards	04

While the list of banks available on SBP website (http://sbp.org.pk/bpd/2005/List_domestic_foreign_scheduled_bans.pdf) was reference for purpose of this survey. While each bank’s website as also evaluated to identify the type of service they are actually providing. The websites found to be offering transactional services were explored for presence or absence of various service/functionality elements tat are grouped under 7 components. The performance in terms of service functionality was recorded by marking “1” for presence of functionality corresponding to that element and “0” for absence of that functionality. All “1”s have summed up to find the total score for each of the seven components as well as the collective score for overall website.

Category wise Classification of Banks and their websites functionality

SERIAL NO.	CATEGORY TYPE	NO. OF BANKS	TRANSACTIONAL SERVICES	INFORMATIONAL SERVICES
1	Nationalized commercial banks	2	0	2
2	Denationalized	4	3	1

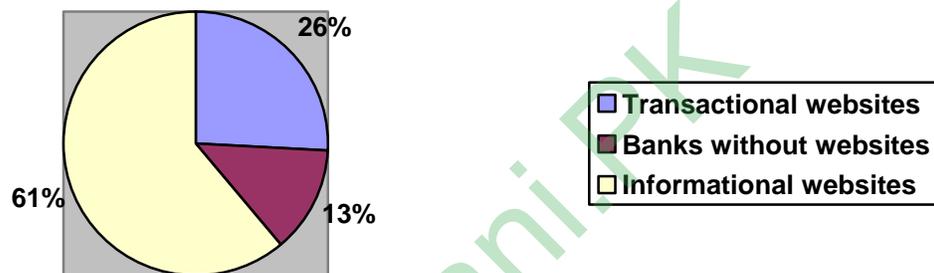
	commercial banks			
3	Specialized banks	3	0	2
4	Provincial commercial banks	2	1	1
5	Foreign commercial banks	11	2	9
6	Development financial institutions (DFIs)	6	0	6
7	Private commercial banks	17	1	15
8	Microfinance	4	0	1

Sector wise Classification of the eight categories of banks in Pakistan

ABBREVIATION	BANKING SECTOR	BANKING CATEGORIES ACCORDING TO OWNERSHIP/SERVICES	NO. OF BANKS
PSCB	Public sector commercial banks	Nationalized, denationalized and provincial commercial banks	8
LPB	Local private banks	Private sector banks incorporated in Pakistan	17
FB	Foreign banks	Banks incorporated outside Pakistan	11
SB	Specialized banks	Specialized banks, Micro finance, DFIs	13

Results of the Study

From the survey on websites of 44 banks, it becomes clear that 04 out of these have no websites at all. Thirty seven banks use internet as a medium for extending information to their customers and have informational websites. While remaining, eight banks are exploiting internet to extend both informational as well as for transactional services also.

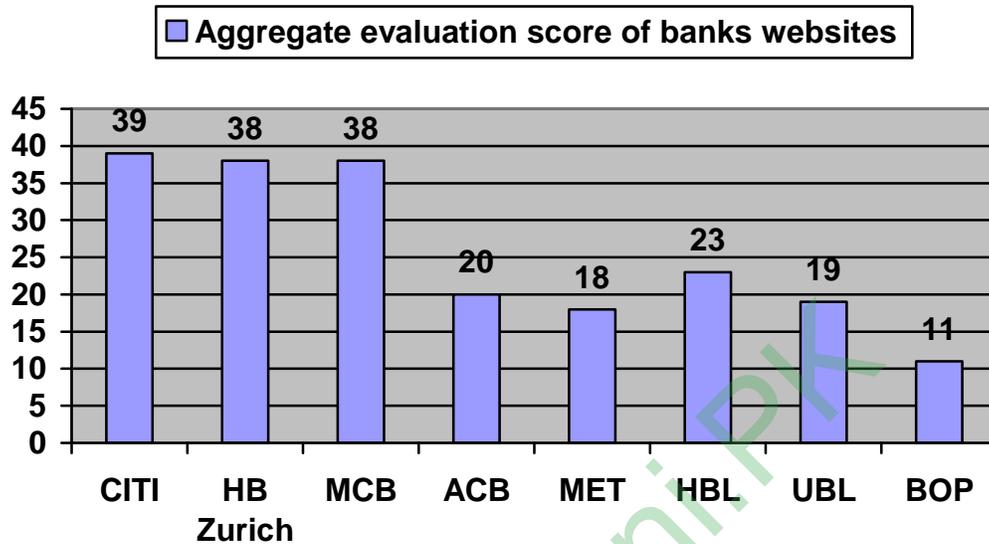


While, the category of denationalized commercial banks demonstrate highest banks website functionality as three out of four banks of this category offer transactional internet services and the remaining one bank’s website extends informational services.

A sector wise analysis of banking also shows that all eight PSCBs have websites with five of these having informational websites and remainder three with transactional websites. The foreign banks sector shows also poor performance as only 2 out of 9 banks operating are offering transactional website facility while remainder are using informational website channel. While out of specialized banks, only 9 out of total 13 are using informational websites while remaining have no websites.

Then when we see at foreign bank category again, Citibank and Habib AG Zurich are the only two banks providing internet banking, three public sector commercial banks namely, Habib, UBL, BOP offer internet banking. While rest of banks have some sort of informational websites. It is interesting to tell here that all of foreign banks operating in Pakistan are providing transactional website facility in other regions of the world, but in

Pakistan either they think Pakistani market not enough ripe for I-banking and thus their services are limited to informational websites in Pakistan.



A comparative analysis of individual banking websites puts Citibank as leading with gross score of thirty nine followed by a score of 38 each by MCB and Habib AG Zurich. MCB though being a domestic private bank matches the performance of its foreign competitors on this web front perhaps due to its early adoption of technology and its aggressive deployment to achieve its goals.

We have also seen that all banks have more or less same score on “performance”. While, little variation exist on “Information”, “Legal”, & “Aesthetics”. The “ease of use” and “others” show a slight variation. However, the order component contains most of elements to be assessed therefore a separator of banks on this web front. As, “order” contains most of value addition service of banks to their customers.

Conclusion

Internet banking is still in nascent stages in this country and chances while risks are also much more in this banking dimension, while which institution will adopt and develop a new e-banking paradigm sooner as possible will undoubtedly beat all its competitors on

this very important battlefield of modern banking and sole banking paradigm of post 2015. None of today banks are virtual banks, as they think that internet banking is only a supplementary channel for their brick and mortar banking services. On the other hand, in developed nations, the concepts are constantly changing, and e-banking has appeared a new substitute not mere supplementary channel in banking. All banks should start thinking about that especially in case of niche market of financial world like providing foreign exchange services, building strong and reliable B2B relations, improving volume and scope of e-commerce, etc. it can be very important and beneficial to all concerned parties as well as to the Pakistani nation itself.

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