A FRAMEWORK FOR THE ROLE OF BANKING AND ITS COLLISION AND EVALUATION ON INSURANCE

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Abstract: *A precise case of E-Commerce, E-Banking is a archetypal overhaul combining a announcement and a allocation channel. E-Banking application has had a constant growth over the time, from their spirit in the context of innovation in the banking sector to the relative standardization and convergence of current state. This paper reports the results of the field research aiming to identify the various issues related to the evolution of these applications.*

Through most accounts, the Internet and connected advances in information technology considerably involve financial services in general and insurance markets and institution in exacting. Joined with other important propensity such as globalization and narrow reform, these modify are forcing far-reaching changes upon the insurance industry and making it more spirited. This paper axis exclusively on the suggestion of the Internet for insurance markets and banking.

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I. INTRODUCTION

E-Banking developed and evolved rapidly during the last ten years. IT innovations like web-commerce and secure information exchanges have been a trigging factor for E-Banking appearance. These IT factors continue to bring pressure to e-banking development. E-Banking functionality is also evolving continuously driven by the necessity to cover new client's needs and to procure more integration between electronically available banking Services. The evolution of demand in online services induces a continuous evolution of the Underlying. E-Banking applications. This evolution pressure raises a number of interesting questions to developers and maintainers, some of which can be easily extrapolated to other

Web-based e-commerce applications. This paper discusses the technical, organizational and Methodological issues of E-Banking applications evolution. Several players of Swiss Banking sectors were studied using interviews and a questionnaire. Then a first set of Common issues was identified and examined. Other barriers impede implementation insurance dealings and providing other services over the Internet. Also, SEC regulatory supplies and state securities law will complicate online sales of certain products, such as variable annuities. In general, e-commerce involves any kind of business or economic activities such as buying, selling, transferring or exchanging products, services or information those are performing through electronic connections. Most of discussions in e-commerce are limited to internet, which primarily is related to the electronic commerce (Fathiyan). Nowadays, the internet and e-commerce has brought about fundamental changes in the methods of business.

Finance and banking commerce yield are mainly information goods which can easily be provided in digital form. The fundamental information and communication technology (ICT)-driven processes are subject to stable changes not at least due to new allocation channels such as online banking. Changing customer partiality together with decreasing loyalty is a new challenge banks have to cope with. Internet customers are better knowledgeable and more price-sensitive than offline customers. PC and Internet usage has doubtlessly created consumer surpluses, especially with regard to online banking and brokerage services (Gordon). The benefits or cost reductions of theses inventions on the bank side are not as determinable, offering multi-channel solutions with physical branches which are not substituted in the same way.

In recent years, due to the rapid growth of information and communication technology, and above all, the development of internet, the process of these variations has been accelerated. Since the new millennium, insurance companies throughout the world are actively presenting their services to e- insurance, particularly internet. E-insurance is the result of evolution in communications and information technology, in other words, it is an insurance operations, which are performed by using internet. The style of life and work are influenced by increasing demand of accessing to internet in order to receive information and services, therefore, the insurance companies could not be indifferent to these requests. The insurance companies could take advantages of new information and communication technologies to provide better services. Meanwhile, e-insurance will reduce the real-time of activity and management costs (Hatami ;).

II. INSURANCE BUSINESS AND CONFRONT:

Insurance business, because of its significance in economic growth and public health is one of the most vigorous sectors in financial services. For example, modern and industrial countries whose market is based on knowledge significantly are uncovered to risk, and persons need to insurance coverage, and most importantly, they need to provide their costs after retirement. Hence, insurance companies play an important role as an investor and stockholder. In 2003, all operating insurance companies in the world have sold around 2.947 billion dollars insurance policies, in which this income is about 07.8 percent of Gross Domestic Product (GDP). In other words, about 8.07 percent of GDP is allocated to purchase of insurance products, the share of developing countries has been approximately 758 billion dollars that nearly 93 percent are in Asian countries. United Kingdom, Germany and Italy, among the nations of Europe union, with 25, 17 and 16 percent of the insurance market's share respectively, in 2003 with a growth rate of 18.5 percent, totally have issued about 34.488 billion insurance policy. East and South Asian countries, by issuing 198.997 million dollars insurance policies have had the growth rate about 12.4% (Molana Poor).

III. E-INSURANCE AND ITS FUNCTION IN E-COMMERCE:

General meaning of e-insurance is the use of internet and information technology to produce and distribute the insurance services. And the specific meaning of e- insurance is, providing insurance coverage through an insurance policy, in which all request, proposal, contract, negotiation will be performed online. Although paying insurance premium, distributing insurance policy and process of paying the claim can be done online, in some countries, regulatory (supervisory) and technological (technical) restrictions may not allow doing quite electronic operations. Internationally, however, in order to support the paying insurance premiums and online distributing insurance policy, regulations are modifying continuously (Fathiyan; 2008, 14). The accepted impacts of e-insurance on the efficiency are included:

1. E-insurance will reduce managerial and administrative costs through the process of business automation, and will improve the managerial data

2. E-insurance, by selling insurance policy, directly will reduce commission paid to middlemen (of course part of this commission should be spending to attract customer and marketing.)Cost reduction in competitive market, lead to reduce insurance premiums, and allow people and customers to buy more insurance, which results in greater penetration of insurance in the countries. According to Sigma38estimate, American insurers in long term will reduce insurance of individuals, sales costs, administrative affairs and damages settlement, up to 12 percent (15 billion dollars). Because of requiring high level of counseling services in insurance of "business", in this field, the possibility of reducing costs will be 9 percent (11 billion dollars). According to general meaning of e-insurance, approximately 1 percent of 2.5 trillion dollar of world insurance premium has earned by e-insurance. However on the basis of specific meaning of e-insurance this number will be less. Internet, allows newcomer insurance companies to avoid setting up long and costly process of traditional selling channels, and current companies take advantages of the financial and internet services beside their business name and brand to add the insurance products to the collection of their exist ting items. Therefore old insurers are encountering increasing competitive pressure. The insurance products that need a little counseling are suitable for sale through internet, and traditional middlemen find that their insurance is encounter to competitive pressure, however in the case of complex insurance products, and high-value transaction, in which the customers are willing to spend money on consulting, selling through internet are not so appropriate. Therefore, the products that have potential of standardizing, describing and rating through limited number of parameters are appropriate

to marketing over the internet and online distributing; such as car insurance, private liability insurance, household insurance and endowment insurance; of course, it does not mean that other insurance products don't use of lots of opportunities that e-commerce gives them to improve the quality of their services (Yar Ahmadi).

In the case of life insurance, supervisory institutions should ask insurers to add some items at the issued insurance policies on the website. Item of being undeniable is an example. It means, after a period of time insurers cannot deny the issues presented by policyholder and ignore them. In addition, a clause on not penalizing should be proposed. Such kind of clauses defends the cash value of insurance policy and provides a time to holding over the insurance premiums that is not terminable and default able. Such items should be mentioned in the e-insurance, because, it is possible that the insurer cannot pay insurance premium on time. In developing countries, due to lack of insurance popular culture and training insurance, and in order to allow consumers make decision on the base of necessary information, there should be high levels of comparisons between proposed contracts through the website (Yar Ahmadi)

IV. E-COMMERCE BUSINESS MODELS

E-Commerce business models integrate the internet, digital communications and IT applications that enable the process of buying and selling. Models are [2]

1. B2C (business to consumer)
2. B2B (business to business)
3. B2G (business to government)

Business to consumer: This is actually on-line shopping where the customers are provided with endless information via internet. In the websites, the customers search for desired goods by catalogs. The payment system is lot easier than conventional systems. On-line banking, on-line finance etc are important features of B2C.

infrastructural and legal environment, lack of trust between business and consumers. In addition, non availability of international credit cards, foreign currency

remittance restrictions, delays and informal payments at clearance even for small value and quantity items will discourage B2C.

Business to business: It basically involves transaction between companies. B2B accounts for the majority of ecommerce. Here security plays a vital issue. The B2B application already exists in the export sector of Bangladesh, especially in the Ready Made Garments (RMG) industry. The RMG sector has begun to use the Internet, and its dependence on e-commerce is likely to grow in the coming years. The Internet would enable them to seek information about potential buyers as well as raw material suppliers. Similarly the practice of posting a website by individual producers has begun.

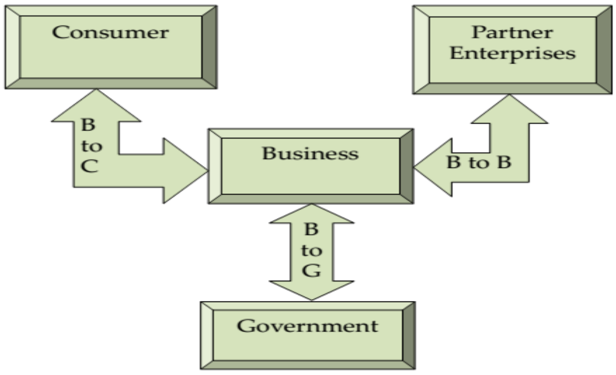

Fig. 1. Models of e-commerce

V. FEATURES OF E-COMMERCE

The features of e-commerce which make it considerably appreciable are as follows [3]:

1. Ubiquity: E-commerce is ubiquitous, meaning that it is available just about everywhere at all times. It liberates the market from being restricted to a physical space and makes it possible to shop from our desktop. From consumer point of view, ubiquity reduces transaction costs - the cost of participating in a market.

2. Global Reach: E-commerce technology permits commercial transactions to cross cultural and national boundaries far more conveniently and effectively ascompared to traditional commerce. E-commerce can reach across geographic boundaries as well as demographic (e.g. age, income, gender, race, religion) boundaries.

3. Universal Standards: One prominent feature of ecommerce technologies is that the technical standards of the Internet and therefore the technical standards for conducting e-commerce are universal standards i.e. they are shared by all the nations around the world.

4. Interactivity: Unlike any of the commercial technologies of the twentieth century, with the possible exception of the telephone and mobile, e-commerce technologies are interactive. Consumers can interact with the content.

5. Information Density and Richness: The Internet vastly increases information density. It is the total amoun and quality of information available to all market participants, consumers and merchants. E-commerce technologies reduce information collection, storage, communication and processing costs. Information richness refers to the complexity and content of a message.

6. Personalization: E-commerce technologies permit personalization. Merchants can target their marketing messages to specific individuals by adjusting the message to a person's name, interests and past purchases. The technology also permits customization.

VI. THE COLLISION OF THE INTERNET ON INSURANCE:

The novel technology has powerfully exaggerated the consumer. Ready access to the Web gives the consumer much more information and the technology exists to harness this information for the benefit to the consumer. According to Conning & Company (2000), there were more than 50 million Internet shoppers in US at the end of 2000. The impact of the Internet on the allocation and manufacture of insurance is likely to be very different, however.

In sharing, the empowerment of the consumer entail that products should become simpler. Products should be more translucent and unsupportable commission loadings decreased. Most consumers will need advice on financial matters and financial advisors could help the consumers to purchase the suitable product. The advice service could be bundled with the sale of the product, or unbundled. As with conventional allocation, potential conflicts of interest between providing advice and selling financial products will need to be addressed. despite of how the principal - agent conflicts are resolved, the Internet could play a large e role in consumer search, choices and transactions The Internet poses some potential threats to the insurance “manufacturing process”(underwriting and servicing insurance policies), but also presents many new opportunities. The principal threat is the potential for diverting business away from existing distribution channels. If this proved significant and companies did not obtain compensating revenues elsewhere, then the fixed costs of maintaining traditional distribution channels would have to be addressed.

Apart from this problem, the opportunities for large insurance manufacturing units should be significant. The Internet and consequent Web applications should help companies reduce both distribution and manufacturing costs, although any relative advantages among insurers are likely to be short- lived as most companies are preparing for the new economy. Large companies may reap some economies of scale, which could give them a more enduring advantage over new economy manufacturing units and existing traditional players. However, the presence of significant scale economies is not obvious and it is also possible that smaller insurers may successfully use e- commerce to serve niche markets.

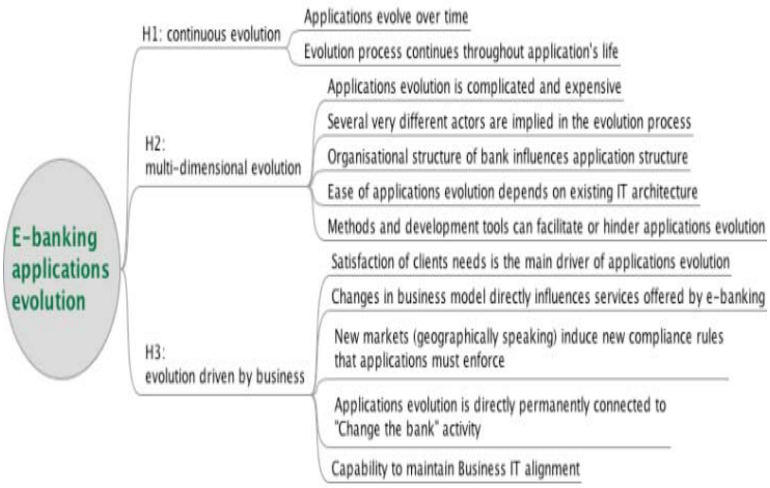

Fig. Issues confirmed by all interviews grouped by hypotheses

VIII. ADVANTAGES AND REIMBURSEMENT OF E- INSURANCE

The advantages and benefits of e- insurance are investigable from three perspectives of "Incurrence", "under contract agencies", and "policyholder":

The Advantages of Insurance:

• More speed, in the process of issuing insurance policy and getting damage

• Increasing the accuracy in the insurance activities

• Upgrading mechanized insurance system, according to the latest hardware and software facilities

• eliminating costly and time-consuming stages, such as issuing letter of introduction, inquiries from centers.

• Reducing the office space of insurance companies through developing virtual space.

•Encouraging policyholders to further use of insurance affairs through a perfect Informing

• Attracting organizations to contracts with insurance

• Retaining policyholders and current contract centers

• Facilitating the insurance affairs such as documents, reporting

•The possibility of further controlling and managing the affairs of insurance

•The possibility of intelligent performing of some insurance processes such as introducing the policyholder to the medical centers, only by phone or internet

•Inhibiting fraud and forgery

• Exact analyzing the costs

•Integration of mechanized insurance systems in all branches, insurance website and insurance ATM terminals.

IX. EXAMINE EXCELLENCE IN BANKING:

The expression bank is usually unspoken as an institution that grasps a banking license decided by financial supervision establishment. Under the establishment, the bank conduct the most primary banking services like accepting deposits and making loans, and other financial services (Wikipedia).

According to Cowling and Newman (1995), service excellence has been fervently used to assess the recital of banking services. Now, the implausible development of the Internet has indistinct the way that bank demeanor business with their customers. As a result, many banks have used Internet as a new channel to provide their customers 24 hours services a day. With the advent of the Internet, customers can access more financial information and wider range of services. Earlier research have found that the forceful advantage of the banks through Internet reside on the services give to customers but not the attraction of Internet. Internet banking is describe as the use of the Internet as a delivery channel for banking services, which include traditional ones, such as opening a put account or transferring funds among different account, and new banking services, such as electronic bill presentment and payment. Present are two main ways that banks offer Internet banking. The first one is the accessible physical bank, like traditional brick-and-mortar banks, provide services through the documented web site and offer Internet banking to its customers as an addition to its traditional delivery channels. The second one is the Internet-only bank or virtual bank. These banks usually have no branch offices since the heart of services relies only on computer server and information technology (ibid).[2]

In 1988, Parasurman et al. further explain that service quality is the overall evaluation of a firm's service by comparing the firm's performance with the customer's general expectations of how firms should perform. They then stated the perceived service quality as global judgment, or attitude, relating to the superiority of the service (ibid). More recently, Page and Spring argued that a performance-only measure is superior since it's more reliable and defensible. They further argued that performance is a much stronger indicator of service quality than expectation. Although the conceptual discussion about service quality continues, it can be seen that service quality is a multi-level and multi-dimensional concept that might mean different things to different researchers in the literature (Cronin et al., 2000).[3]

X. CONCLUSION:

In nastiness of the great reserves in IT and E-Commerce communications in the past, German banks do not yet smash banks with longer knowledge in e-banking such as in Denmark or the US. Although the obstacles and drivers in the stare countries are nearly the same, time plays an important role. The cycle to educate staff and the time to customize solutions appropriate into existing IT back office organization strength be too long in industries which have a diffusion time lag behind E-Commerce-leading countries such as Denmark.

Ornamental process efficiency requires further reserves in "end-to-end" automation, information management and collaborative applications. The development of E-Commerce in the financial division is a challenge for business directive on the national and international Levels. Outsourcing will continue in the areas of technological support and non-core activities

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