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Saudi Arabian Banks on the Web

Sajjad M. Jasimuddin

Sajjad M. Jasimuddin is Lecturer at Industrial Engineering Department, King Abdulaziz University, Saudi Arabia. He received his MPhil from University of Cambridge, UK in 1992. His recent research interests include electronic economic, international business and consumer behavior in general and online stock broking in particular.
Email: Sjasimuddin@hotmail.com

Abstract

The advent of Internet has set in motion an electronic revolution in the global banking sector since 1995. Internet banking has become a major fully-fledged distribution channel of banking products and services in developed world. Within one year of the introduction of internet service in Saudi Arabia, Saudi banks have at least decided on their Internet presence. 73% of the Saudi banks possess their own web sites and 25% of the web sites are offering full services over Internet. They are increasingly viewing the Internet as a key alternative delivery channel. However, there is no specific strategy for exploiting the opportunities offered by Internet. Hence, Saudi banks via Internet have much to improve in their Websites.

Introduction

Commercial transaction began over the Internet in 1995. One particularly promising application of the Internet is in the area of bank, i.e., financial transactions that could actually take place over the Internet. The advent of Internet-based electronic finance offers considerable opportunities for banks to expand their client base and rationalize their business.

Most of the banks in the developed countries have been providing banking services through Internet while Saudi Arabia is lagging behind. However, environment is quite favorable in the Kingdom of Saudi Arabia for rapid development of Internet banking. The Kingdom has introduced Internet service as per Ministerial Decree No. 163 dated March 3, 1998. The substantial upgrading of telecommunications infrastructure that is undergoing in Saudi Arabia might help the process of Internet banking. Another advantage is that majority of the Saudis are not only familiar with PCs but also own it. Further many employees have access to computer in the work place and prefer to conduct business with banks during office hours from their offices. In fact, the future of Internet banking in Saudi Arabia is promising.

This paper surveys the status of Saudi Arabian banks in the web as it stands today and suggests ways for the successful implementation of Internet Banking. The study is developed based on the Saudi banks that are already running a Web site and only on the information available from the Web sites.

The Use of Internet Banking

Banking sector will be a leading player in electronic commerce. In 1999 nearly 60% of e-commerce in the UK was concentrated in the financial services sector, and with the expected 10-fold increase of the British e-commerce by 2004, the share of the finance will even increase. Around one fifth of Finish and Swedish bank customers are actually online, while in the USA online banking is growing at an annual rate of 60% and the number of online accounts might attain 15 million by 2003 (UNCTAD 1999).

Banks have established an Internet presence with various objectives. Most of them are using the Internet as a new distribution channel. Financial services with the use of Internet may be offered in an equivalent quantity with lower costs to more potential customers. There may be contacts from each corner of the world at any time of day or night. This means that banks may enlarge their market without opening new branches. American banks are using the Web to reach opportunities in three different categories: to market information, to delver banking products and services, and to improve customer relationship (Diniz, 1998).

The cost of the average payment transaction on the Internet is minimum. Several studies found the transaction cost through mobile phone is estimated 16 cents, a PC bank using the banks' own software is 26 cents, a telephone bank is 54 cents, a bank branch $1.27, an ATM 27 cents, and on the Internet it costs merely 13 cents. (ITU, 1999). As a result, the use of the Internet for commercial transactions started to gain momentum in 1995. Since then, millions of commercial web sites have emerged. 3,286 banks around the world have already established their web sites. Some banks are there because their competitors have been. Surprisingly, a good number of Saudi banks have designed web sites and a very few are offering online banking.

Saudi Banks in the Web

The Web is a vehicle for the most common transactions that one could expect to have with a bank. Websites are the digitized form of brochure that provides institutional and promotional information, financial reports, vacancies and recruitment forms, search engine, ways to contact the bank etc. As at the middle of 2000, there are 11 banks with 1201 branches operating across Saudi Arabia. Of these, eight banks (73%) have established their presence in the web sites and only two of them are offering Internet banking services. These web sites are designed in Arabic and English for clients' added convenience.

Taking a closer look at the kind of information delivered by Saudi banks on their Web sites, it is found that there is no major difference in the contents of these sites. Table-1 depicts the classification of contents in the Web Sites by Saudi banks. Most of them are better structured to provide information for public relations purposes.

The contents that are found in each of the searched Web sites include information about the bank and addresses of ATM/Branches (together with phone and fax numbers), press releases, newsletters, news about the site and welcome letters, hot links, job opportunities, publications, contact and email, feedback,

site map, site search, on line form etc. Almost all of them are providing information regarding customer services that incorporate financial market, retail and corporate banking, investment, treasury services, telephone and PC banking.

About 63% of the banks have kept option for feedback to receive complaints, opinions and request services via emails. The banks are moderately concerned with the release of information about their banks (63%). On line form is less found (28%). About all banks are concerned with giving information to make contact with them via email. Job offers are very easy to find via Internet. Only 38% of the banks are using the advantages of making recruitment announcements on the Web. The production of articles and economic reports, analysis of economic performance of industries and the country are found less 38% of the bank web sites. Information on fees and rates are more often found (50%). A few banks better prepared to provide site map on their web sites (25%).

Other Electronic banking strategies like telephone banking and PC banking are also promoted on Web sites. The banks are slightly concerned with Links to other sites, only one bank has Hot Links option.

Table-1 The Classification of Contents in Web Sites by Saudi Banks

Contents	SIB	SBB	NCB	SHB	ANB	RB	ARBIC	SAMBA
Internet banking			*		*			
Financial Market	*	*	*	*	*	*		*
Retail banking	*	*	*	*	*	*	*	*
Corporate Banking	*	*	*	*	*	*	*	*
Investment Services	*	*	*	*	*	*	*	*
Treasury services	*	*	*	*	*	*	*	*
About the bank	*	*	*	*	*	*	*	*
Financial Outlook			*		*			*
Hot links			*					
ATM/Branches/Find Us		*	*			*	*	*
Job / Human resources						*	*	*
Publications					*		*	*
Press Release/Latest News	*	*		*		*	*	
Contact and email	*	*	*	*	*	*	*	*
Your feedback			*	*	*	*	*	
Site map				*			*	
Site search	*			*			*	*
On line form		*	*	*				
Rates	*	*		*	*			

Sign * means does provide service

Notes: SIB= Saudi Investment Bank   SBB= Saudi British Bank

NCB= National Commercial Bank   SHB= Saudi Hollandi Bank

SAMBA=Saudi American Bank   ANB= Arab National Bank

ARBIC=Al Rajhi Banking & Investment Corporation   RB= Riyadh Bank

Internet Banking in Saudi Arabia

Online banking allows customers to do financial transactions from their PCs at home via Internet. For the

last two years the Saudi websites are built to keep the customers informed of what is going on in the bank and market. Very recently, two banks have come forward in providing Internet banking services. The other two banks (Saudi Investment Bank and Saudi American Bank) have notified on their websites that they are preparing themselves to launch the Internet banking services soon.

National Commercial Bank (NCB) is the forerunner internet banking in Saudi Arabia. Alarabi Ebank, and Alahli Online are the official names of internet banking services offered by Arab National Bank (ANB) and NCB respectively for their customers so as to carry out their banking activities from home. With these Internet banking, a customer can have an easy and secure direct access to their eligible Bank accounts 24 hours a day, anywhere in the world via the Internet.

To use the service a user will need to have a bank account and a PC with an Internet connection. A prospective customer can complete registration form online. However, for legal reasons he will have to print this form, sign it up, and then hand it in at any of the bank's branches. A few days after the bank sends an email with the applicant's user ID and invites him to go to his nominated branch to collect his secret password.

Online banking is also available in Arabic and English for clients' added convenience. The major services offered by Online banking include transfer funds between client's own accounts, to another client of the bank, and to other banks locally and aboard; view and print account balances and summaries, last 10 account transactions, full bank account statements with up to 90 days transactions, up to-date Foreign Exchange rates and Deposit rates; request for statement of account by mail; and request for cheque book etc. Electronic banking service is free to customers of the banks (although services like foreign transfers will be charged for).

Internet Banking in Saudi Arabia offers only a restricted range of services. Here online banking is just consumer banking. These banks do not have versions for use over another channel: by mobile telephone and personal digital assistant (PDA). Adequate legal and appropriate physical infrastructure are essential for the quick implementation of online banking in Saudi Arabia. However, for the successful implementation of Internet banking, customers must be made to feel confident about the privacy and security issues. Moreover, the banks have to ensure quality service which is also be a very important determinant for the success of online banking.

Conclusions

The possibility of rendering all banking services electronically, with adequate security and at the lowest possible cost, is pushing banks towards the Internet. While the banks in developed countries are working primarily via internet as non-branch banks, Saudi banks use the Internet as an information delivery tool to improve relationship with customers. Among the Saudi banks, some are using it as an electronic brochure. Very few are using as banking channel. Some others still prefer a "wait-and-see" practice. This article presents a survey on web sites of Saudi banks in order to learn about the Internet use by the banks.

Online banking is still a very marginal activity in Saudi Arabia. Internet is currently being used by the Saudi banks mainly for brand awareness and promotion. The dynamic and imperatives of e-finance will push Saudi banks to build web site and to start Internet banking. For example, since people are coming to know the Internet banking system, they will soon start asking for this service from their banks thus putting pressure on the banks to go ahead fast with Internet banking. So all the Saudi banks will have a web presence as the cost advantages are so huge that there is no reason not to try it out. There is necessarily first mover advantages also.

After visiting all the sites, it can be said that there is no specific strategy for exploiting the opportunities offered by the Internet. They give the impression of not being well targeted and it is not clear if they are

designed for client exclusive use or to a broader group of visitors. Customers must be made to feel confident about the privacy and security issues which is be a very important determinant for the success of Internet banking. Saudi bank via Internet have much to improve in their Websites. The banks will do well if they conduct periodical surveys and take customer views on the simplicity and ease of operation of the Internet banking. For this, feedback option should take place to their websites.

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