

Banking in the Modern World

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Introduction

Gone are the days of check registers and teller windows... well not quite. But those days are slowly being phased out as a new age of banking comes speeding around the corner. As some banks take out the branch method entirely like Capital One and their “cafes” and others like USAA already keeping a limited number of branches around. We are starting to see that the role of the Banker is slowly fading away. This paper is going to take a deeper look into the fascinating growth of Digital banking, as well as all of the concerns that come with it. We will be diving deep into the social, ethical, security, and legal issues that come along with the innovative service that Digital banking is. From updating addresses for reporting fraud on their accounts, clients should be able to feel comfortable with their institution's services, this paper attempts to calm any concerns that any of those clients might have.

Background

Referring back to the Introduction, Online banking came around as something that could be used to be more convenient for anyone to use. Whether you use the more common Bank - insured by FDIC - or feel safer keeping your funds tied up within a Credit Union - insured by NCUA - Most modern financial institutions offer digital banking, either online or through a mobile app, oftentimes they offer both. Digital banking is no surprise to the younger generation. Oftentimes we see everything from cars to our bodies being modified to be better and faster and seamless. So why wouldn't we upgrade banking from the days of tellers and checks to, hopefully, one day, a world void of checks and deposit/withdrawal slips. Once the world began to make computers smaller, faster, and more secure, it was only a matter of time before things like banking and other personal maintenance items made their way into the web.

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Current Use & Benefits

Currently, we see this used in most large name institutions, from Bank to Credit Union there are still Branches and huge support for online access to your accounts and funds 24/7 whether is be through a computer, a phone, or an app. Typically what we see as services offered in Digital banking are things like, transfers between personal accounts, transfer out to external accounts, digital deposits of checks, and access to digital statements. These are just a few things that are offered by most institutions. There are also options for opening new accounts and scheduling payments to automatically be pulled from specified accounts. With all of these services at our fingertips, it makes banking, what would normally be a daunting task, simpler to manage. The ability to turn off paper statements has been something of a marvel, it allows you to not receive mail statements each month with your transactions and instead you are able to access them online or from your mobile device. Another convenient service offered by banks is Direct Deposit. It allows your employers to send you your funds from work directly to your account. This avoids any paper checks and endorsements that might have caused a headache in the past and allows for a smooth transition from being paid to delegating the bills that still need to be paid for that period. Akkucuk pulled literature that calculates the overall quality of digital banking and while it is a little tough to process, they did say that services that are provided through the physical settings of banks could have a substantial influence on customer satisfaction on e-banking services. (Akkucuk) Which is where the customer service quality is heavily required to be maintained. However, there are service providers on the Internet that have no brick and mortar setting or have very few locations, like USAA.

Security & Legal Concerns

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Most breaches in online banking come from the consumer using their devices in unsafe locations, or when a compromising virus has already made its way onto a computer. It is typically best for the consumer to avoid making purchases in public areas that might not have a secure connection to the internet. Most institutions try their best to add as many security features that they can, without overwhelming the consumer. Recommending passwords of a longer length with more variety to try and encourage them to not use the same passwords for all of their accounts. When you log into your online banking, look at the top of the screen and locate a small lock, this will ensure that your connection is secure. Financial institutions and other sites that hold sensitive data use https://, for security. A popular scam that happens is that people get a call from the “Bank” asking for their login credentials, stating that it is for verification purposes. Banks will NEVER ask for login credentials because the bank already has that information. (Teller Vision) This is a form of Phishing that will be more closely looked at later in the paper. It can be said that as long as the customer is vigilant and careful, the security that the bank has implemented in their websites and apps are as secure as they can get. In the end, Divitt worded the true resolution to online fraud the best saying, “Ultimately, in the ever-changing fight against online banking fraud, knowing your customer maybe even more important than knowing the enemy.” (Divitt)

Ethical & Social Implications

Where are the Ethical and Social Implications of a completely digital world? The main security and Ethical concerns of Digital banking are that of fraud. Fraud is an ethical and security issue, banks fraud protection policies can be a large factor with certain consumers who have been victims of Identity theft. Having things like a “Zero-liability” policy for their debit

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and credit cards is something that most members find comfort in. Zero-liability means that the owner of the account will not be held responsible for the fraud and negative affects on their accounts until a thorough investigation has taken place and the institution is able to rule out the client as the originator of the fraud. The textbook has a wonderful definition of fraud that they obtained from the U.S. Department of Justice that defines Internet fraud as “any type of scheme that uses one or more components of the Internet to present fraudulent solicitations to prospective victims, to conduct fraudulent transactions, or to transmit the proceeds of fraud to financial institutions or to others.” (Lab) Two of the biggest and most recent issues that have plagued digital banking are Phishing and Pharming. Phishing is when someone attempts to fraudulently acquire information from e-mail messages asking possible victims to verify the information. Whereas Pharming is the exploitation of the vulnerability in domain name servers that allow traffic to a Web site to be redirected to another Web site. This can affect many online shoppers who do not notice the shift in web pages and end up submitting their credit card information for their “purchase” only to have their card numbers stolen and used against their knowledge. (Lab)

Future Use & Obstacles

In the future, most institutions want to try and remove cash from their branches and focus on making everything digital. Removing checkbooks and eventually even debit and credit cards. This is to try and make the world a little more seamless and modern. While Mobile Banking is new, modern, and gearing up to be a “better digital alternative” rather than a natural advancement of online banking. (Moser) Even now, we see institutions negotiating their ATM

limits and pushing more of their clients towards the machines. Some might not notice, but the ATM is pushing clients out of the buildings and into a more self-service style of banking. Well maintained ATMs can allow for a positive client experience which will help maintain their loyalty to their institutions. Even while they do not want to put it in the limelight, making sales will always be something that institutions seek out. “Sales” or products being opened prove to the institution that the client intends to use them as possibly their primary form of banking and that encourages them to put out special deals to incentivize more clients. Othman also pointed out that the failure of the internet in digital banking is largely attributable to the lack of trust consumers have in the electronic channels, from their own sources.

Conclusion

Not everyone will be comfortable with the thought of signing into a laptop or phone and being able to access all of their funds and make educated decisions based on the ease of access. In the future we can only hope that as security is improved upon, more clients will feel comfortable using these digital services over the standard that has been held for many a decade of going to the bank for some things as simple as a balance and small cash withdrawal, that can now be easily completed at the ATM. While there will always be progress to be made, the current resources that we have at our disposal are a lovely continuation of our analog world into digital. As long as we continue to fight fraud at every turn and encourage the advancements that are being implemented across the landscape of digital banking then there should be no doubt that the younger generations coming will be able to grasp the simplicity of banking.

Annotated Reference Page

Akkucuk, U., & Truman, B. (2016). Assessing service quality in online banking services.

Problems and Perspectives in Management, 14(2), 183-191.

Doi:https://businessperspectives.org/images/pdf/applications/publishing/templates/article/assets/7232/PPM_2016_02cont1_Akkucuk.pdf

Akkucuk and Truman go into detail regarding the service quality of online banking around the world. They look into many different scales in order to come to their conclusions and estimates regarding the self-service tool. The primary focus of this source is the E-S-Qual scale and how it works as well as how it needs to be modified for online banking practices. The biggest take away from the scale is that while it calculates the online portion, there is still a physical, emotional portion to take into consideration.

Banking on online safety. (2010). *Teller Vision*, (1394), 2-3. Retrieved from

<https://search.proquest.com/docview/324907306?accountid=14541>

This source is being used to tie in the honest concerns of the consumer with other sources regarding how banks are protecting their accounts. Focusing primarily on the concerns of identity theft and the customer's concerns for the safety of their information. The source also goes over how bank workers can make themselves familiar with certain practices in order to ensure that the customers are taken care of. There are resources offered by a service referred to as Pyromax to help online customers with protecting their information.

Divitt, D., fraud, & risk, s. c. (2010). Plugging the gaps in online banking security. *FT.Com*,

Retrieved from <https://search.proquest.com/docview/229325071?accountid=14541>

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Security is a primary concern for all users of online banking. No one wants to check their balance or freeze their card if the site and information are not secure for them to access their information. This source focuses on phishing scams as well as online Trojans. These are scammers that trick users into thinking they are on an honest website when the reality is that they are giving their information to a stranger. It later goes into how banks can protect their customer's data while the customer uses the convenient feature of online banking.

Lab, A. L. *Introduction to Computer Information Systems*. [VitalSource Bookshelf]. Retrieved from <https://online.vitalsource.com/#/books/9781524991821/cfi/480!/4/4@0.00:0.00>

The textbook offers a wide scope view of Ecommerce and on different avenues of digital sales and banking. Diving deep into the different types of commerce between businesses, customers, and governments, we are able to see just how widespread the influence of online banking can reach. There is also a word of caution, reminding us that physical locations still hold a certain charm that some online services may never be able to replicate online. Regardless of its flaws, it is still full of success stories and once we solve the unlisted issues we should be more than ready to produce astonishing outcomes.

Moser, F. (2015). Mobile banking: A fashionable concept or an institutionalized channel in future retail banking? analyzing patterns in the practical and academic mobile banking literature. *The International Journal of Bank Marketing*, 33(2), 162-177.
<https://search.proquest.com/docview/1663495342/99C130E88214FECPO/1?accountid=14541>

This paper focuses on online banking from a more realistic viewpoint. It goes into detail about how online banking is used and what extra benefits it gives its users. However, it also nurtures

the idea that this is simply a fashionable fad that could die out on its own. Explaining how banks look into these online sources to help their customers and if it is worth institutions to keep up with or to even advance past the most basic of functions.

Othman, A. S., Chowdhury, I. A., Bo, Y., Omar, A. R. C., & Osman, L. H. (2015). Key drivers of customer loyalty in online banking. *Annals of Management Science*, 4(1), 89-110.

Retrieved from <https://search.proquest.com/docview/1779996337?accountid=14541>

The author's dug deep and looked into many different avenues regarding online or e-banking. Looking into things such as trust and loyalty, as well as, satisfaction. They take a deeper look into the exciting explosion of the online banking phenomenon. Also taking deep looks into what makes a customer/member stay loyal to their institution. They also look into the correlation between satisfaction and loyalty. Something that all financial institutions strive for.