

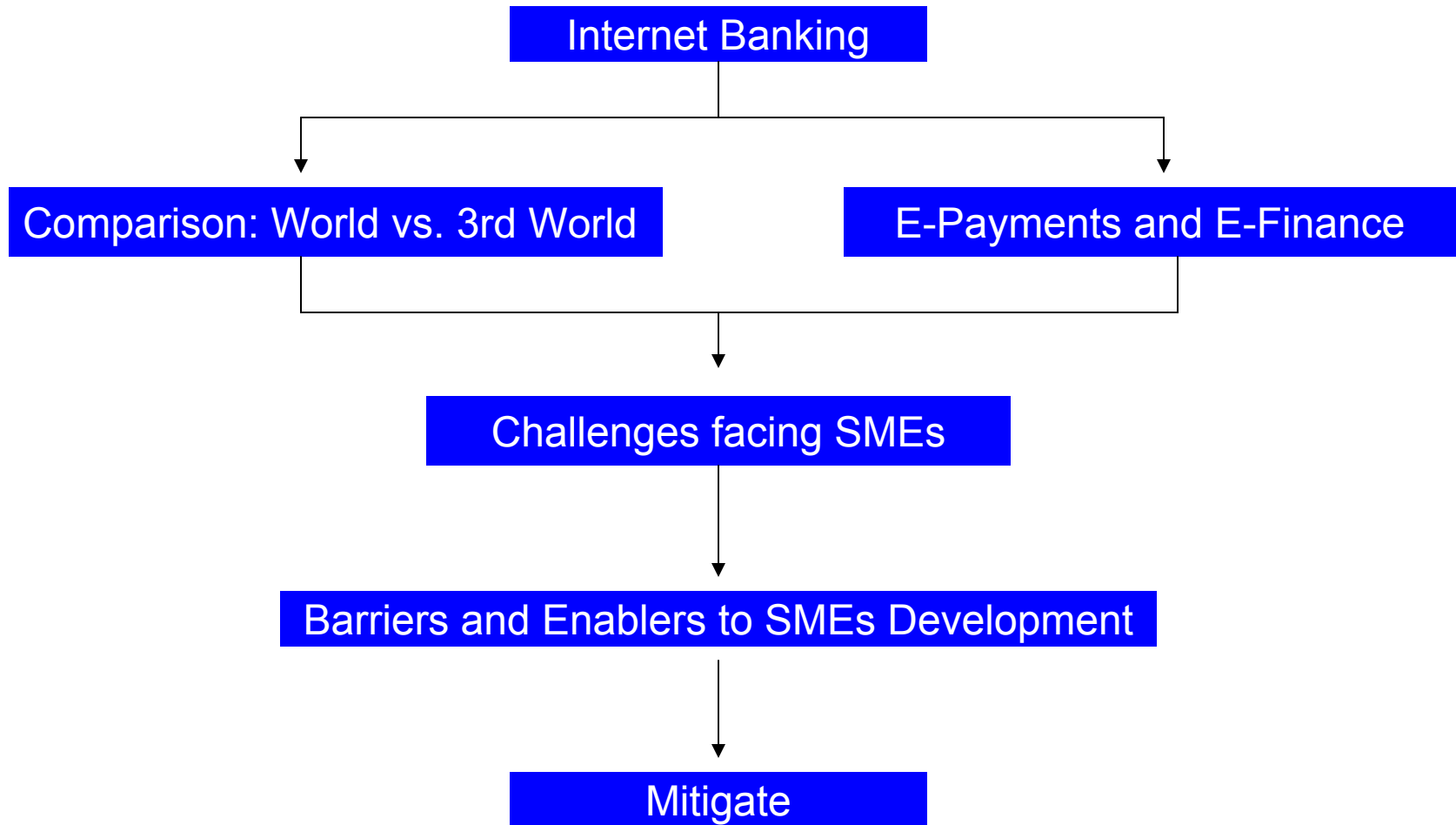
# Internet Banking

## Small and Medium Enterprises (SMEs) Development.

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Date: **September 2003**

# Overview



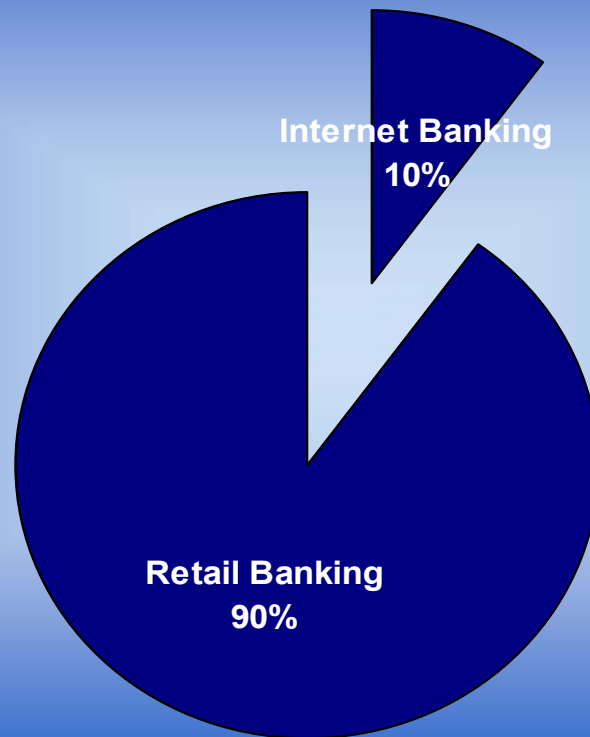
## What is Internet Banking?

- Internet banking refers to the deployment over the Internet of retail and wholesale banking services.
- It involves individual and corporate clients, and includes bank transfers, payments and settlements, documentary collections and credits, corporate and household lending, card business and some others.
- “Clicks and Mortar strategy” – dominant model (One-Stop Shop)

Source: UNCTAD Ecommerce and Development Report 2002

# Internet Banking

**Total Volume of Retail Banking Transactions  
( United States and Europe)**

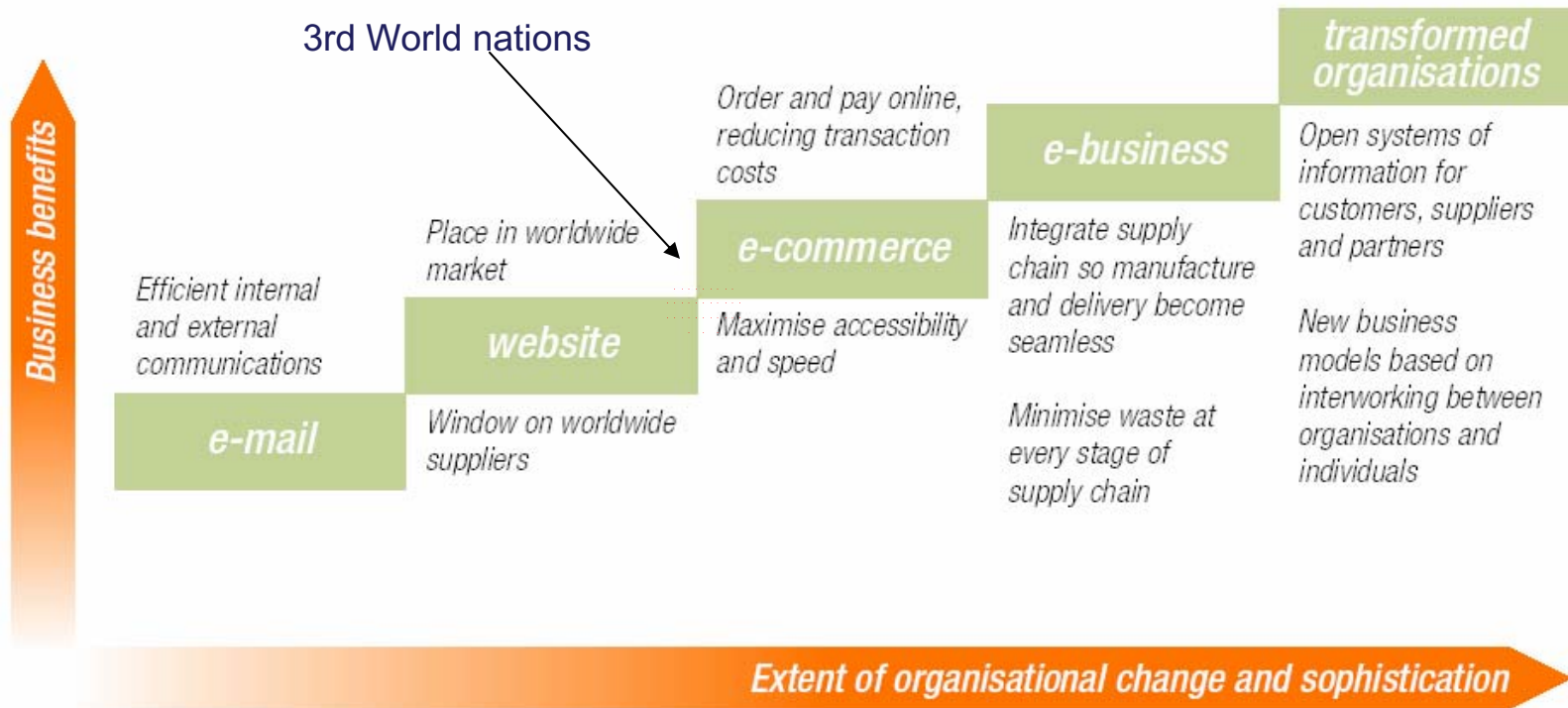


Source: UNCTAD Ecommerce and Development Report 2002

# Internet Banking

Figure 1.1

Model of e-adoption ladder



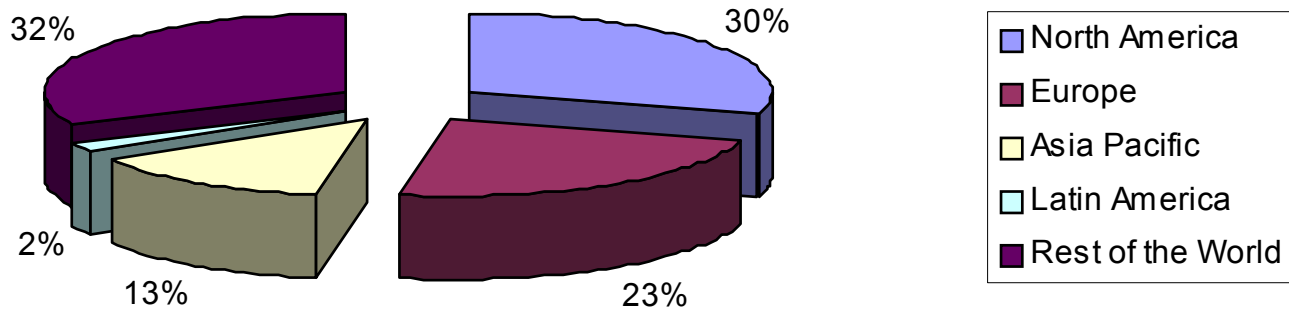
Adapted from Cisco-led Information Age Partnership study on e-commerce in small business

## Internet Banking prospects & Cases

- The average online banking penetration for developing countries by the end of 1999 was close to 5 per cent (World Bank, 2001)
- Cable & Wireless (CWeb Platform)
- Scotiabank: Escotia (Merchant ecommerce )
- First Citizens Bank: (On-Line Banking)

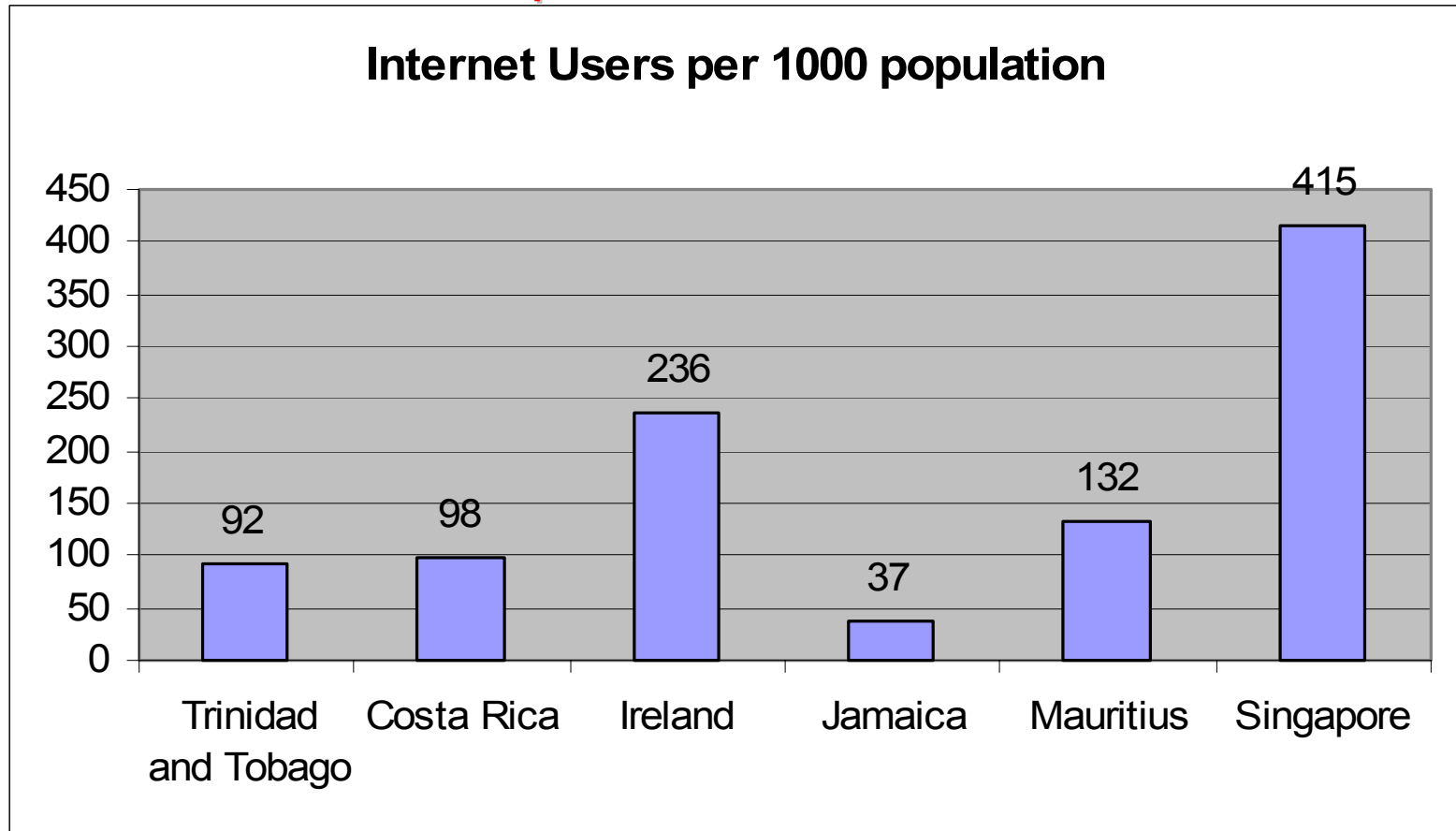
# Where are the Internet users?

**Internet Users Worldwide  
563 million (1Q 2003)**



Source: Nielsen Netratings

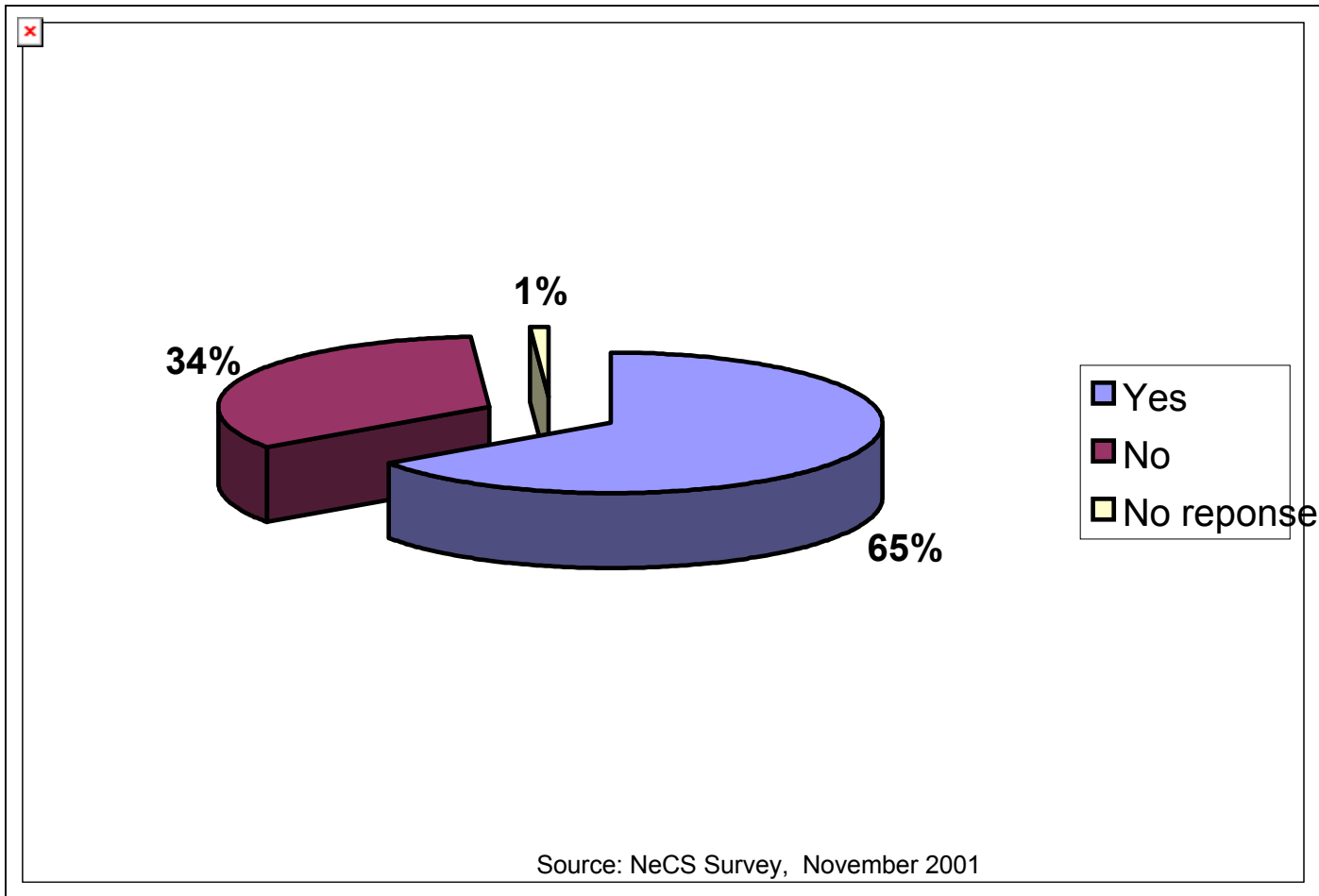
## Selected countries comparison



Source: World Economic Forum, 2002



## Third World Nations - businesses with websites



## Examples: Internet Banking

- **Internet payments** (*From closed to open architecture* )
  - ✓ Virtual points providers (e-centives.com, mypoints.com)
  - ✓ P2P (peer-to-peer) payments (PayPal, BillPoint, PayDirect, eCount.com)
  - ✓ Virtual escrow systems (escrow.com, tradesafe.com)
  - ✓ Digital wallets (Yahoo Inc., Microsoft Passport),
  - ✓ Virtual and smart cards (Visa, American Express, Mastercard),
  - ✓ Electronic bill payment and presentment or EBPP (e-route, billserv.com )

## Examples: Internet Banking

- **Global e-payments systems**

- *SwiftNet*

It is expected that SWIFTNet will combine IP standards with highly secure, high-performance networks, owned and operated by SWIFT.

## Examples: Internet Banking



- **Global e-payments systems**

- *Visa*

- ✓ Mobile phones, palms and computers (m-payments)
    - ✓ Internet powered TV sets (t-payments)
    - ✓ Offline payments between electronic devices in proximity using infrared or Bluetooth technologies (p-payments)
    - ✓ Payments initiated by voice sensitive technologies (v-payments)

*Visa has developed several solutions for Small Business:*

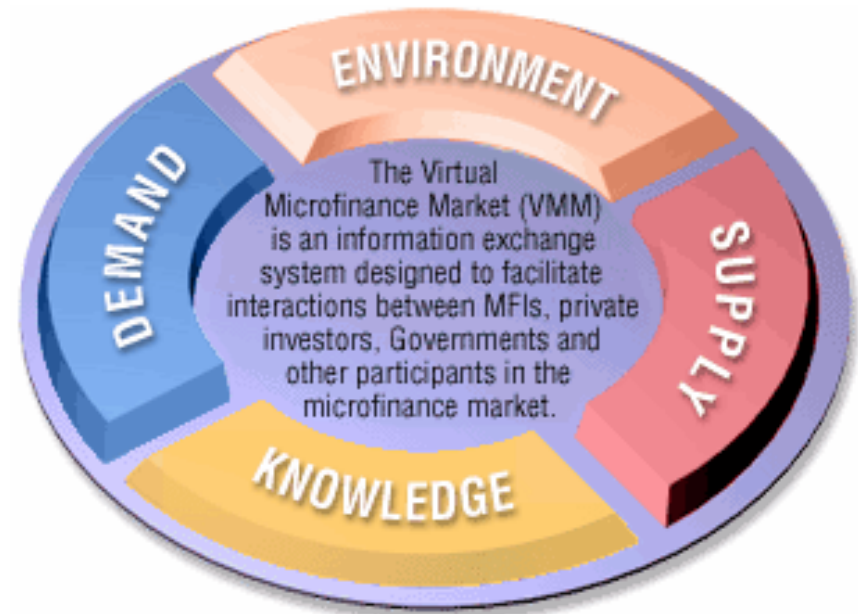
*Visa Business, Visa Distribution, Visa Purchasing and Visa Commerce*

## Examples: Internet Banking

- **e-finance**

- ✓ Private Equity : Linking private equity investors to SMEs via Internet
- ✓ Microfinance initiative: (*Virtual Microfinance Market- VMM, Microfinance Information eXchange-MIX*)

**THE VIRTUAL  
MICROFINANCE MARKET**



## Challenges Facing SMEs

- Market prospects
- Access to finance on competitive terms
- Inefficiencies in the capital acquisition process
- Lack of market intelligence/information
- Diseconomies of Scale
- Inability to attract foreign investment

## Barriers: SMEs Development

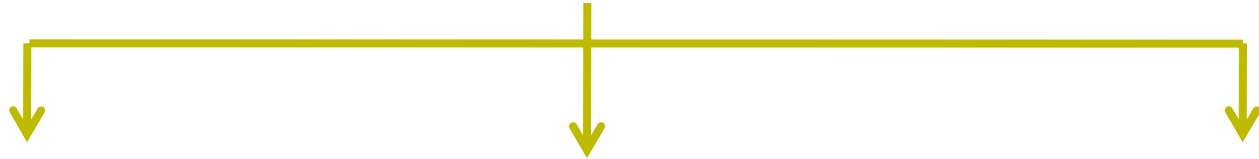
- ✓ Slow adoption rate of technology
- ✓ Adaptation of global technology to local requirements
- ✓ Adequate regulatory and institutional framework
- ✓ Access infrastructure
- ✓ Business Practices
- ✓ Culture

## Enablers: SMEs Development

- The advent of online electronic finance has brought with it the promise of cheaper, faster and more widely available finance for SMEs.
- Aggregation buyers and suppliers, i.e. linking individual SMEs to each other, to major companies, to e-procurement chains and to other e-marketplaces. (Portals)
- Expansion of Telecommunication infrastructure
- Increase competency and utilization of technology



# Challenges



## MITIGATE

- 1. Capacity building, training, conferences**
- 2. Role of global and regional organizations**
- 3. Role for entrepreneurs, expatriates, private sector**
- 4. Regional government involvement**
- 5. Strategic Partnerships (Financial, IT and telecom sectors)**
- 6. Public Support**