

Virtual Banking: An Overview

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Abstract

Virtual banking can be defined as a bank without branch which offers its services by means of individual computers or electronic tools, ATM and telephone. As virtual banks can't put up with the cost of branch opening, they offer the savings obtained from the costing to their customers as high saving interest. In the study, it will be mentioned from the definition of virtual banking to its advantages and disadvantages, and samples of virtual banks in the world, the superiority in costing per operation in comparison with traditional banking. In conclusion, thanks to virtual banking, situation of earn and earn will occur, and costing in banking system will reduce, and this will reflect to the customers positively.

Keywords: Virtual banking, internet banking, traditional banking

Introduction

Today is called "Technology Time." The developments in technology offer many different possibilities to business world. Banking sector as one of the world's largest sectors is one of the sectors using technology more. The majority today's banking operations are made through the Internet rather than branches. Internet banking have emerged at the last 12 years, but a research about consumer's payments shows that there is an increase of 50% in using internet banking of internet surfers.

Dream a bank that can be reached easily from your house, office or anywhere you have a smartphone. Virtual bank which offer their banking services by the electronically appliance as ATM, phone, PC or Internet can be defined as a bank without branch.

Virtual banks remedy to customer's problems about security, learning and using easily, functionality, credibility. Virtual banking becomes a focus that makes an effort in order to gain traction of customers and make them glad. This is clear that virtual banking has an important place in future of banking sectors.

Traditional banks reflect to their customer's cost of opening branches as cost and interest rate. However Virtual Bank's costs are lower than traditional banks, because Virtual Bank doesn't need to branch network. It provides operational cost effectiveness, so that we higher lend to interest for your deposits. Just because of this banks are fort his, aren't they?

Advantages of Virtual Banking

- 1) *Provide a useful way for banking operation:* Virtual banks provide to their customers lower cost than traditional banks, useful and flexible scope.
- 2) *Flexible virtual banking system:* Customer can check his bank account entering username and password in bank's web site.
- 3) *Security:* These banks have got state guarantee so far as a certain amount as in our country.
- 4) *Time factor:* One of the reasons of customers prefer to virtual banking is saving time.
- 5) *Access to information on time:* Virtual banking provides information as interest rate, checking account, calculating of credit eligibility on time.
- 6) *Saving operation cost:* Virtual banking is in terms of the most appropriate than banking system.
- 7) *Digital sign for security:* Digital sign is a precaution for preventing bribery and being theft of information.
- 8) *Faster transfer:* Basic advantage of virtual banking is being able to reach all operation about money every time and everywhere.
- 9) *Easy occupation and user-friendliness:* One of the reasons that customers prefer virtual banking is being useful at his research; Cooper (1997) determined that being useful is one of the three important factors according to customers for evaluating product and service.
- 10) *Cheaper charge of operation:* There are two costs at virtual banking. The first one is charge of connection to the Internet; the latter is charge of banking. Customer's ideas are determined by these two costs.
- 11) *Being able to check data about operations at current and retrospective:* It is possible that at current and retrospective information of credit card and customers account can be reached easily.
- 12) *Sensitivity to environment:* Virtual banking is also sensitive to environment. There isn't waste of paper in electronic operations. Vehicle traffic is reduced, as

a result of this environment pollution is reduced requirement of building and office requisites are also reduced.

Disadvantage of Virtual Banking

- 1) *Access cost:* Internet banking is an investment that access cost is high.
- 2) *Difficulty of learning:* Firstly surfing on the banking web sites can be difficult.
- 3) *Mobility of banking web sites:* The biggest banks also have to update their online programs by adding some features them. So customers have to update their information about this again.
- 4) *The bank relations:* Traditional banking provides possibility to establish one to one relationship with bank to customers when customer's financial situation changes, a manager of bank can restructure customer's payment with his/her discretionary power. In virtual banking, there isn't one to one relationship with customers, so it's impossible.
- 5) *Possibility about the operations:* Traditional banks can solve problems with special meeting for special situations by experts.

What is the Difference between the Virtual Banking with the Internet Banking?

In fact, service of Internet banking is the same logic as service of virtual banking. In virtual banking, there isn't branch as physical. Traditional banks offer service of Internet banking. Because there aren't branches as physical, there isn't outlay as rent, electric, paper, tea, staff etc. Virtual banks offer them as high deposit interest to their customers.

Table 1: Changing the number of operations and active customers in Turkey Internet banking

Year	Number of Active Customers	Changing (%)	Number of Operations	Changing (%)
2006	2834223		38033000	
2012	12075545	426,06	104871000	275,73

Source: Banking Operation Costs (June, 2012)

Table 2: Comparing with traditional banking's and virtual banking's interest rate

The Deposit Size	Bank of America (%)	Virtual Bank.com
Less than 10000\$	0,10	0,70
10000\$ - 24999\$	0,15	0,70
25000\$ - 49999\$	0,18	0,73
50000\$ - 99999\$	0,20	0,78
More than 100000\$	0,20	0,83

System being done operation	Costing per number of operation	The total amount
Branch	1,07\$	112211970
Phone	0,52\$	54532920
ATM	0,27\$	28315170
The Internet	0,01\$	1048710

Results

In the world becoming global, using virtual banking become unavoidable to be different and permanent as a result of technological developments.

Number of Internet users in Turkey is about 35 millions. Turkey is the 12th country in the world and the 4th country in Europe with this number.

The institutions and people trade on the Internet during 7/24 and they want to do their banking operations too.

At a last research about Internet users in our country, although there is an increase of 50% in rate of using Internet banking, there isn't a business as a virtual bank. There is an increase of 426% in number of customers doing online operation between the years of 2006-2012. This shows us the potential of virtual banking in our country.

Neither customer nor banking system can benefit from advantage of virtual banking for online banking in our country offering with traditional banking to customers. With using virtual banking in our country, situation of earn and earn will occur. And cost will be reduced in banking system and this will be positive for bank customers, too.

Developing and growing in banking sector will affect the entire finance sector. Virtual banking will accelerate the growth of Turkish banking sector. In conclusion, thanks to virtual banking, decline of banking operation cost will affect all real sector positively.

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