Chapter 37
Internet Finance

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ABSTRACT

New developments in the Information and Communications Technology industry have substantially increased the importance of the internet over the last decade. As a result, the finance sector has developed its technological capability to be able to compete in an online marketplace with other financial services providers and to be able to serve their customer. This chapter examines the use of technology in the financial industry and the various factors associated with it, as well as introducing the reader to the main types of project initiators-contributor business relations in online crowdfunding.

INTRODUCTION

E-Banking also written as electronic banking refers to the usage of computers in carrying out bank transactions. Examples of such transactions include withdrawal of money through cash dispensers or engaging in funds transfer through a point of sale. Electronic banking is also known as internet banking or online banking (Ainin, Lim & Wee, 2005). Therefore, this illustrates the complex nature of the concept of financial services as there is not a universal definition of E-banking. However, it is significant to note that internet or E-banking refers to the use of various electronic services that allow a financial account holder with a particular bank to access all his or her information through a computer. Therefore, in the context of this discussion E-banking will be defined as a self-service activity that permits bank account holder to get access to their accounts, as well as their updated general information on a financial institution's products and services. In addition, these users have the liberty of conducting financial transactions without time or geographical limitation by accessing the bank's website (Kallstrom, 2000, p. 20).

DOI: 10.4018/978-1-7998-1760-4.ch037

The technological advancement and the use of the Internet have raised a new platform for fundraising known as crowdfunding. Crowdfunding involves three parties: the project initiator or owner who needs funding, the contributor who is willing to give their money and the moderating organization that facilitates the engagement between the contributor and the initiator (Young, 2013, p. 33). Moderation can also be done through technology by the project initiator himself, using Web 2.0 and outside of platforms. The platform involves entrepreneurs or potential business owners asking for funding for their projects from the "crowd" or users from all over the world who may be interested in supporting their cause or business. Crowdfunding allow individuals the possibility to develop into their business ideas, even if it is only with a small amount of money. Governments encourage crowdfunding due to its positive impact on the economy as a whole, as it creates new jobs and fosters the economic growth of countries.

This chapter seeks to introduce the reader to e-banking services, online investments, and the main types of project initiators-contributor business relations in online crowdfunding.

BACKGROUND

In the late 1970's home banking was the only way of offering financial products without the customer being present at the banking hall (Xu, Wikes, & Shah., 2006, p. 19). Financial institutions call this service home banking; however banks offer this service through phones.

Banking customers were able to transfer money, pay their invoices or check their account credit through touch-tone telephone while they were at home. New software was created that permitted connecting customer to the bank through a dial-up connection. Although in the late 1980s this service was not very popular for several reasons. First, home banking was only allowed for some services agreed by the bank. Second, this new service needed an important investment in technology, and only few financial institutions could afford this cost.

The use of computers was not common at the time in many households (Laopodis, 2013, p. 26). Among the financial institutions that offered home banking services are the leading banks like Citibank, Manufacturers Hanover and Chase Manhattan. All of them had its origin in America, thus showing the contribution of the United States to the e-banking industry. In the mid-1990's banks were starting to realize the need to move their financial services into the virtual realm. Apparently, e-banking was becoming an attractive concept as it helped banks diminish transaction costs; it was helpful in promoting easy integration of services as well as introduced interactive marketing capabilities. Additionally, online banking was instrumental towards boosting the bank's customer lists and profit margin faced by the businesses. Furthermore, internet banking allowed institutions to bundle their services into single packages; thus, attracting more customers at minimal overheads. The period of late 1990s saw the advent of the clicks and bricks euphoria; as a result, many banks realized that e-banking was a strategic and imperative innovation (Lassar, Woodford, & Moschovitis, 2005, p. 15). More so, during this period there were a lot of mergers and acquisitions within the financial industry that resulted in expanding customer base Therefore, financial firms viewed the World Wide Web as the only channel that would help in maintaining customers, as well as build loyalty. However, in the wake of the banks realizing the potential of e-banking a lot of customers across the globe remained hesitant to conduct their financial transaction over the internet. For example, there was the Y2K scare that was a disambiguation about a world crisis by the year 2000. In this connection, many customers feared online transactions because of the fear that all computers would fail. Therefore, to avoid this problem a number of financial consumers

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