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Impacts of Operational Risks in E-Banking

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ABSTRACT

Operational risks in e-banking have significant impacts on both financial institutions and customers. These risks arise from system failures, cyber-attacks, fraud, human errors, and inadequate internal controls. One major impact is financial loss, as cybercriminals exploit weak security systems to steal money or customer data, causing huge monetary damage to banks and their clients. Another concern is reputational damage—when customers experience fraud or service disruptions, their trust in digital banking decreases, leading to customer dissatisfaction and loss of market share for the bank. Furthermore, frequent operational risks can trigger regulatory penalties if banks fail to comply with security and risk management standards. On the customer side, operational risks often result in unauthorized transactions, data breaches, or denial of service, causing stress and inconvenience. Additionally, system breakdowns or technical glitches can delay payments, disrupt business transactions, and affect the smooth flow of the economy. For banks, operational risks also increase the cost of investing in advanced security technologies and employee training. Ultimately, these risks undermine the efficiency and reliability of e-banking services, which are otherwise designed to enhance speed, convenience, and accessibility. Therefore, managing operational risks is crucial for ensuring security, customer trust, and long-term sustainability in e-banking.