

DISTANCE BANKING SERVICES - A SOLUTION FOR THE ROMANIAN MANAGEMENT BANKING SYSTEM

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ABSTRACT: *Involved in the competition to attract and turn the clientele faithful, banks develop a series of activities that could increase their popularity, trust, and acknowledgement. Thus, creating a distance banking service is an opportunity that must be put into value. The present tendency at international level is the significant decrease of the importance of distribution channels through the classic banking network. In this context, active banks in Romania cannot be dissociated from the existing tendencies, and the spectacular dynamics of distance banking services in the last years has shown that, in a future closer than expected, clients might abandon the services of a bank with bad quality e-banking.*

KEY WORDS: *distance banking; multichannel banking; accessibility; rapidity; competition*

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It is absolutely correct to say that “*clients are gained with small interests and new products, not with performance e-banking services!*”, but it is also true that the relation with the bank also means routine operations - transfers, transactions or information in real time. As a consequence, if the product has captured the client, e-banking plays a role of similar difficultness by trying to keep him.

In most developed countries, e-banking services are automatically offered together with other banking products due to their popularity within the clientele. In Romania, distance payment is still practiced only by those companies and persons that have a certain banking culture, internet and computer.

The present international tendency is to significantly reduce the importance of the distribution channels of the classic banking network. When attracting new clients and keeping the existing ones, active banks in Romania cannot dissociate from the existing tendencies. The first steps made in this direction were made by launching the

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activity with cards, and more than that, the distance banking services (by internet or wireless technologies, with the help of mobile phones) become a real banking service. That means that Romanians have acknowledged the importance of this phenomenon.

The short existence of distance banking services - e-banking - began in the last century when an economy house in Maryland USA launched the first online services as alternative to the classic methods of administrating banking accounts.

In Romania, the first bank that provides banking services like home-banking is ING, which launched this service in 1995 and in 2001 Demirbank, the present UniCredit Tiriac Bank launched in premiere the mobile-banking services.

At worldwide level, a new concept took shape - "multi-channel banking", as the clients' possibility to access the banking services on multiple and unconventional ways. Almost every Romanian banking company presently offers their clients the possibility to use a distance service such as: Internet-banking, Home-banking, or Mobile-banking. (Socol, 2007)

The technological developments and the exponential growth of the information volume transacted in the last decades have directly influenced the methods and the techniques used in the financial and banking sector. Specialists appreciate that 15-20% of the banks' budget is spent on telecommunications. Every banking company has its information system that represents the business key; it helps circulate the information bearing benefits and it is absolutely compulsory to be protected. All banks are constantly preoccupied with the protection of the information about clients and about themselves.

Presently, the dependency between the banking sector and the IT&C industry is total - „business is incorporated in technology” (Bârboi, 2006). Any product or banking activity depends on the IT&C services projected in this sense, no matter which are the sizes of the banking institution, their specialization and country of origin. A poor quality of information products, the unavailability of the telecommunication systems may directly affect the quality of the banking services, generating the clients' dissatisfaction - who become more and more sophisticated - which may conclude in losing the market share or the marginalization of the institution.

A large part of the operations previously executed by the banking representatives are now made by the calculation systems, and thus, they deal with the problem of the optimum usage of these systems in order to obtain maximum performance with the lowest possible cost.

At the banking level there is ferocious competence to get the best and most attractive product, the largest number of clients, the largest number of branches and banking ATMs, the best trained personnel, and competence sharpens senses and directs attention to innovative and profitable solutions. At the same time with the intensification of this competence, banks will largely invest in the efficiency and solution development that can differentiate them on the market.

Distance banking deeply transformed the way of communicating, distribution, marketing and sales regarding the banking operations. Thus, communication is made indirectly or with the help of some people that are not visible or perceivable for the consumer. In what distribution is regarded, distance banking adds a supplementary channel to the existing one, permits a fine segmentation of products, and banking

specialists consider that next to the classic products, clients could buy a new one (Dănilă, 2004) .

After analyzing the capacity of increasing the distance banking services made by the banking marketers, the following things were observed:

- a consumer out of three never goes to the bank unit and therefore he cannot be considered a target consumer;
- the interviewed consumers considered that distance banks represent the most adequate interface for current operations;
- although clients are faithful to the traditional agency, one cannot exclude in the future to try new methods that could allow them a much more comfortable approach of services;
- the rapid growth of internet users leads to the promotion of distance banking;
- the dynamization of the account number is exponential, so we assist to the democratization of banks by making them closer to the population.

Distance banking services present a major impact upon banking companies and clients having advantages on both sides. Each bank client must go to a bank unit at certain periods of time, hardly facing the urban traffic and the front-office queues. But with distance banking services, clients can operate their transactions from their office, from home or anywhere else with the help of an Internet connection. Studies indicate that, between 9-11 am, 22-23% of the total volume of online visits is made by those who access the banking sites. The second peak is between 5-7 pm when 13-14% of the total connections at the end of the day and after the closing of banking agencies. The permanent access to their accounts, mainly at the time of the front-office opening, which are still constraining especially for those who work, comfort, discretion and time gaining constitute real advantages for the clients. In what on-line products and services are offered, banks promise to provide *accessibility, availability, commodity and rapidity*.

In what the commissions specific to these types of services is regarded, they more reduced than the classic ones because of the banks' desire to promote them. At European level, according to the Forrester reports, the cost of an online transaction is of approximately 14 eurocents while a transaction made through the bank unit costs approximately 2 euro.

Migration at worldwide level from transactions made on paper to the electronic ones gets deep implications on the economic development. Thus, electronic transactions imply lower costs than their equivalents in cash, stimulating the consumer to reduce his expenses and increase the volume of bank deposits in the economy,. This type of services cannot constitute real "access keys" to the banking system for the people who do not currently work with banks.

In spite of all this, clients do not easily give up inter-human relationships when asking for a banking service, choosing to go into dialogue with the bank representative at the front-office.

In order to promote on-line services and products, banks consider two segments of target-clients, on one side the students, and on the other side, the active population with secondary and high studies. Most banks have created sites which help

them inform the clientele about the products and offer on-line financial-banking services.

The users of these services may be divided in two categories:

- „*the practitioners*”, are those active people who do not have too much time for banking operations and they use a distance banking service to simplify their life;
- „*the modernists*”, characterized by a high level of mobility, the fans of high-tech, that are not interested in the human side of the client-bank counselor relationship.

A study made by Capgemini, ING and European Financial & Marketing Association (EFMA) for 16 European countries, plus China, Canada and the USA, where 41 retail banks were interrogated, (16 banks from the Euro Zone, 15 European banks outside this zone, 5 credit institutions in China and other 5 in North America), show that the price for online banking services fell sharply, in the Euro Zone with 28%. According to this study, most countries in which banks offer online banking services, the clients get this type of services for free when opening an account.

As compared to other banking products and services, the cost of the services of direct debit, call center and online banking indicated the most dramatic decrease: 12%, 20% respectively 23%.

In what the structure of the distribution services is regarded, it will suffer large modifications. Thus, the predictions for 2015 say that the banking products' distribution at branch level will decrease by 15% as compared to the level registered in 2007.

The research shows that banks have a common vision regarding the banking development, waiting for the services to lose their human touch and for the branches to concentrate themselves on consultancy. But from vision to reality the distance is long, even in the case of developed countries. The problems that appear regard the branches' profitability, as consultancy centers, their efficiency with which distance channels will succeed to inform clients and lead to the increase of sales.

The process automation will not lead to a decrease in the number of branches. The financial consultancy offered to the client represents a strong point of the bank representative, which e-banking could not replace.

The most important reason for which the population avoid using distance services are the suspicious concerning the transactions security. From technological point of view, the protecting methods used by the banks have been very much developed, thus the main problem that still exists is to convince the population about this thing. One of the strategies used by the Western banks to gain the customers trust was to offer guarantees for the transactions security.

The limited utilization of banking internet services is also caused by the fact that the large Romanian banks have been too late involved in this segment. Having extended territorial networks, these could have promoted more easily e-banking services and this could have led to the attraction of a greater number of on-line customers.

In Romania, at the end of 2007, according to the information of The Ministry of Communication and Information Technology, 460923 of users, individuals and corporate bodies, used distance payment services. At the end of 2009, the figure has risen to 1968433 users. If we refer to the value of transactions in lei and currency

expressed in Euro equivalent, at the end of 2007, the figure was of 34.978.245.760,12 euro, in December 2009, it was rising to 82.782.400.000 (table 1).

Table 1. The Situation of Distance Banking

Indicators	2007	2008	2009
Users Number	460.923	1.187.860	1.968.433
Total Number of transactions	5.417.446	18.655.490	23.914.386
Total Value of transactions - euro	34.978.245.760,12	78.954.100.000	82.782.400.000

Source: The National Bank of Romania

In 2009, huge increased have been made on all plans concerning the distance banking transactions. Thus, the number of customers who accessed e-banking services (individuals and corporate bodies) has increased from 1.187.860 users recorded at the end of the 2008 to 1.968.433 users in 2009 (table 2).

Table 2. The Number of e-banking users

Banks	The number of users 2008	The number of users 2009	The growth rate 2008/2009 (%)
BCR	438000	741650	69
Raiffeisen Bank	168458	305194	81
BRD-GSG	180900	272500	51
ING Bank	163100	263650	62
Banca Transilvania	70000	110000	57
UniCredit Tiriac Bank	50459	81346	61
Volksbank Romania	22371	38630	73
Alpha Bank Romania	29000	37000	28
BancPost	22593	33158	47
GarantiBank	5209	28228	442
OTP Bank	14000	18000	29
Intensa Sanpaolo Romania	3814	11112	191
Piraeus Bank Romania	6800	9100	34
Credit Europe Bank	6691	8481	27
Leumi Bank	4076	4890	20
Bank of Cyprus	1109	2067	86
RIB	249	1787	618
Libra Bank	872	967	11
ATE Bank Romania	159	673	323
Total	1187860	1968433	66

Source: www.e-finance.ro

Increases have been also recorded concerning the total number of transactions made by users who chose the distance banking services. Thus, from 18.655.490 transactions recorded in the last trimester 2008 up to 23.914.386 transactions (table 3).

Table 3. The Number of e-banking transactions

Banks	The number of transactions 2008	The number of transactions 2009	The growth rate 2008/2009 (%)
ING Bank	4900000	7200000	47
UniCreditTiriac Bank	6058895	4423453	-27
Raiffeisen Bank	1317365	2258372	71
BRD-GSG	1343000	2125000	58
Banca Transilvania	1500000	2000000	33
BCR	145000	1724000	1082
AlphaBank	1200000	1400000	17
BancPost	902018	1016998	13
PiraeusBank	325000	475000	46
CreditEurope Bank	411868	464809	13
Volksbank Romania	75541	200231	165
Libra Bank	98299	141180	48
GarantiBank	23068	143094	520
Leumi Bank	253777	138559	-45
Intensa Sanpaolo	92741	125527	35
Bank of Cyprus	4564	33834	641
RIB	2173	27041	1144
ATEBank Romania	2181	23248	966
Total	18655490	23914386	28

Source: www.e-finance.ro

In the future, the three services: Home, Internet and Mobile banking will not be identically developed. The development of Mobile banking service has a great potential if we think about the number of mobile phone users, but we should take into consideration that the security of these services doesn't depend on the bank but on phone operator, that is why many banks are skeptical to invest in this type of services. Internet banking will have a greater potential because it offers the possibility to develop new options and facilities and it is accessible from any location connected to internet. If an application of mobile or home banking represents a good solution for the retail customers, internet banking aims especially the companies.

In spite of the lack of trust in the safety offered by the electronic environment, more and more Romanians access the Internet banking services and products. If a year ago a study made by Deutsche Bank placed Romania, next to Bulgaria, Greece and Macedonia, among the European countries with the lowest degree in e-banking services, today, the bank representatives in our country say that these services pass through the most important period of modernization.

Another vector of increasing the clients' number could be represented by the penetration of many foreign companies on the Romanian market, companies which regularly use e-banking services. At the same time, the boost of Internet users as well as the possibility to pay all taxes to the state budget through the Internet will amplify the tendency of the Internet-banking penetration on the Romanian market.

Although the figures indicate spectacular increases, the bank representatives do not consider that that statistics show the real potential of e-banking. These services are

not used at their real capacity because of the lack of the clients' experience in using the PC, because of their fear to work with the bank and their mentality of working with cash. In spite of the fact that e-banking services do not represent a profit source, new investments are going to be made in order to improve them, which means that banking management appreciate their capacity if not in attracting clientele, but in keeping them.

Considering the declarations of the representatives of commercial banks, it seems that in the following years, a development of the structure of e-banking will be recorded. For the moment, the principal segment is represented by the commercial companies, this situation can be explained considering that in case of a company the number and the value of transactions are much more than in case individual users. In present, corporations prefer as a rule home banking services, as it can be adjusted to the specific of the activity. They have also extended cash management functionalities and can be connected to a great number of applications in the company management.

They also permit the assignment of more users having multiple tasks. For example, a payment order is filled in by an employee, and the payment authorization can be given by another person, being or not being in the same location. The disadvantage is that the information is not brought up to date in real time, and the exact balance of the account can be known only at the end of the day. This inconvenient can be avoided in case of internet banking applications, which are focused on the current account, from where the disponibilities are to be directed by the customer for payments, deposits or other destinations. The internet banking market is directly influenced by the degree of internet penetration, by the banking culture and also by high commissions charged for making payments.

By using the Electronic Payment System (SPE) managed by Transfond has greatly influenced the specialized market in fact any operation made by a distance banking service is carried on in real time. Another strong aspect of the Romanian banking system is the application of the so-called - direct debit. It is about a service by which the payment between customer and supplier is made between banks. This was available in the past too, but the two had to have account at a bank undertakes to make payments to certain supplier periodically.

The difficult economic period we are going through has had a boost of eBanking services, leading to a more careful both banks to promote their clients how to understand the benefits of banking transactions in front of the computer. The need to reduce costs has led banks to transfer part of operations to the greatest possible alternative channels, which provide lower costs.

On the other hand, customers are more aware of the price paid for banking services, the time spent on speed and security operations. The conclusion is simple: the benefits from such services worldwide!

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